1985 – 86 Estimates

Part I

The Government Expenditure Plan

The Estimates Documents

The Estimates of the Government of Canada are structured in three Parts. Beginning with an overview of total government spending in Part I, the documents become increasingly more specific. Part II outlines spending according to departments, agencies and programs and contains the proposed wording of the conditions governing spending which Parliament will be asked to approve. The Part III documents provide additional detail on each department and its programs primarily in terms of the results expected for the money spent.

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General Note

The information in this document for fiscal year 1983-84 and before refers to actual spending levels, as reported in the 1983-84 Public Accounts, while that for fiscal years 1984-85 and beyond refers to planned levels.

Chapter I
Introduction

The purpose of the Estimates is to communicate to Parliament the level and nature of the federal government's spending plans for the coming fiscal year. The Estimates are intended to be responsive to the information needs of Members of Parliament, who must understand and assess these spending plans in order to hold the government accountable.

To that end, this year's Estimates are presented in the new three-part format which has been developed in consultation with the Public Accounts Committee and other interested groups.

Because this is the first year the complete Estimates package is available in the new format, Chapter 5 of Part I is devoted to a description of the new format to provide a guide to the content of each of the three Parts. The remainder of Part I provides Parliament with an overview of government spending in a form conducive to an understanding of total expenditures and the broad policy areas to which resources are allocated.

The presentation of information in Part I reflects the policy sector resource envelopes established by the government within its overall spending plan. Each envelope sets the level of total resources available for all elements of departmental activity in a given policy sector and defines the amount of resources available for maintaining, developing and implementing policies and programs in that sector.

Details of the government's expenditure plan are presented in the following chapters. In Chapter 2, a broad overview of the plan is offered. Trends in total outlays, highlights of major changes, and the relationship between government expenditure trends and those of the Gross National Product are addressed. Historical growth trends of the various envelopes are also discussed. Chapter 3 focuses on the expenditure plan in terms of policy sectors and the associated envelopes. Types of expenditure are indicated for each envelope, as well as the major programs included in the Main Estimates and important features of the expenditure plan for the envelope. A summary of the Main Estimates is presented in Chapter 4, including the relationship to the overall expenditure plan, trends in expenditures for statutory and annually voted appropriations, a classification of the Main Estimates by type of payment and a description of factors underlying differing growth rates in these categories. Some material is repeated in Chapters 2, 3 and 4 to ensure that each chapter can be read independently, depending upon the particular interests of the reader.

Chapter 2
The Expenditure Plan for 1985-86

Total outlays from 1982-83 to 1985-86 are displayed in table 2.1. Budgetary expenditures encompass the cost of servicing the public debt, the operating and capital expenditures of government departments and agencies, grants and contributions to other levels of government, organizations and individuals, and subsidies. Loans, investments and advances are outlays that result in changes to the value of the financial assets of the Government of Canada. They primarily involve the acquisition of such assets from federal Crown corporations, but also from industry, other governments and international financial institutions.

Table 2.1
Total Outlays

($ millions)	1982–83	1983–84	1984–85	1985–86
Budgetary expenditures	80,001	88,915	99,975	104,968
Loans, investments and advances	−129	625	665	433
Total outlays	**79,872**	**89,540**	**100,640**	**105,401**
Percentage change	*13.2*	*12.1*	*12.4*	*4.7*
Less: Public Debt Charges	16,971	18,146	22,660	25,545
Program outlays	62,901	71,394	77,980	79,856
Percentage change	*13.6*	*13.5*	*9.2*	*2.4*

The total outlays of $105,401 million planned for 1985-86 are $4,761 million, or 4.7 per cent higher than for 1984-85. More than 60 per cent of this growth is attributable to the increased cost of servicing the public debt. The remaining expenditures, which are referred to as *Program Outlays*, are only 2.4 per cent higher than those in 1984-85. A significant factor contributing to this low growth rate is the expenditure reduction initiative announced in the November 8, 1984 Economic and Fiscal Statement.

The $4.2 billion deficit reduction package announced on November 8, 1984 involved specific program reductions, general restraint measures and increased revenue generation. Excluding the revenue portion, this amounted to some $3.5 billion in reduced spending plans. These reductions have been fully reflected in the 1985-86 Main Estimates.

Within the category of specific program reductions, a number of approaches have been followed. Certain programs are being eliminated or gradually phased out as circumstances have changed since they were originally initiated. In the energy field, for example, the Canadian Home Insulation Program will be gradually phased out and the Canada Oil Substitution Program terminated. Similarly, a number of capital projects have been cancelled, such as further development of certain national parks. Finally, foreign aid and defence spending have been reduced but only to the point where international targets and announced goals can still be met.

More rigorous management and adjustments in program regulations are also being implemented to produce more effective and less costly programs. As part of a general tightening of the management system, the government has reduced the funds available as contingencies for increased operating costs. Managers will be required to live within their budgets.

The government has also reduced its loans, investments and advances to Crown corporations, particularly Petro-Canada and the Farm Credit Corporation.

In addition, the government has moved to tighten the policy reserve system whereby committees of Cabinet have access to a reserve of uncommitted funds available for new initiatives. To do this, the government has reduced reserves for new initiatives significantly.

Since many of the reductions are from planned spending, their impact is not readily visible in comparison with the previous year's Estimates. However, a review of relative growth rates in 1984-85 and 1985-86 does allow some illustration of the impact.

Growth in total Main Estimates, exclusive of public debt charges, is projected to be 2.5 per cent in 1985-86 which is 8.1 percentage points lower than the growth of 10.6 per cent in 1984-85. That difference in growth rates is the equivalent of over $6 billion in 1985-86. Although other factors are instrumental in reducing the annual growth rate, the expenditure reduction initiative is the largest single contributing factor.

Chart A plots comparable total outlays as a percentage of the nominal Gross National Product (GNP) from 1977-78 to 1985-86.

The expenditure plan by envelope is shown in table 2.2. An envelope represents the resources available to a particular policy sector for spending under the programs included in that sector. It is within these general resource levels that policies and programs are developed, implemented and maintained.

Envelopes for each policy sector include the costs of spending proposals contained in the 1985-86 Main Estimates as well as a provision for known pressures and new initiatives during the fiscal year. In addition, there are reserves which are not allocated by envelope for other contingencies. As departments and agencies cannot legally spend more money than is actually authorized in each vote by Parliament, actual expenditures will generally be less than the total authority;

Chart A

Outlays as a Percentage of Gross National Product

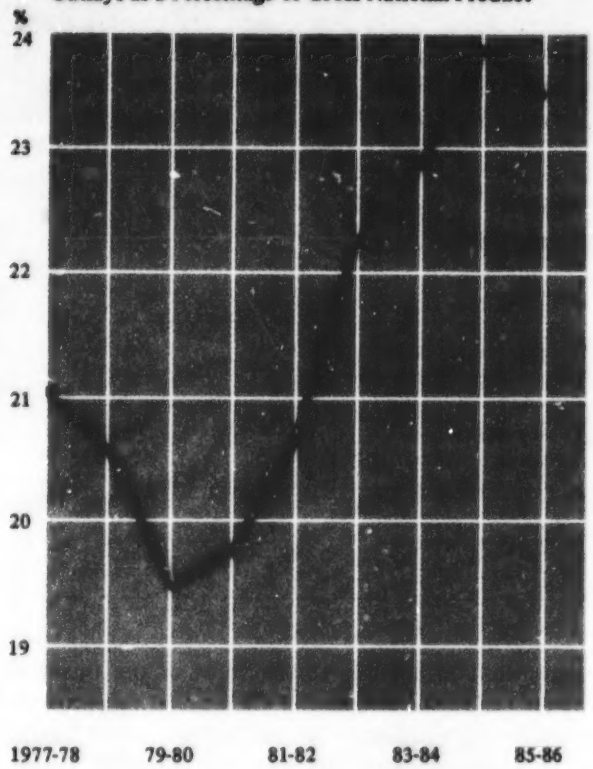


Table 2.2
Expenditure Plan by Envelope

($ millions)	1982–83	1983–84	1984–85	1985–86
Economic and regional development	11,981	13,101	16,287	12,967
Social development	33,433	38,704	42,900	44,801
Fiscal arrangements	5,661	5,862	5,921	5,688
External affairs and aid	2,028	2,261	2,740	2,735
Defence	6,990	7,973	8,782	9,383
Parliament	167	178	196	201
Services to government	2,641	3,315	4,379	4,095
Public debt	16,971	18,146	22,660	25,545
Total envelopes	**79,872**	**89,540**	**103,865**	**105,415**
Reserves not allocated by envelope	N/A	N/A	239	2,383
Lapse	N/A	N/A	−3,464	−2,397
Total outlays	**79,872**	**89,540**	**100,640**	**105,401**

a provision for this shortfall, or lapse, is also included in the determination of planned total outlays. The calculation of this lapse is based on an analysis of actual spending levels in previous years as compared to total authorities. While it is impossible to predict the specific amounts that individual departments will lapse, recent experience suggests that some 2.5 per cent of total spending authorities will not be used.

Chart B graphically depicts the relative magnitude and rate of growth of the eight envelopes from 1979-80 to 1985-86. The remainder of this chapter addresses the growth of the various envelopes from 1979-80 to 1985-86 while further details on the change in 1985-86 levels from those for 1984-85 are provided in Chapter 3.

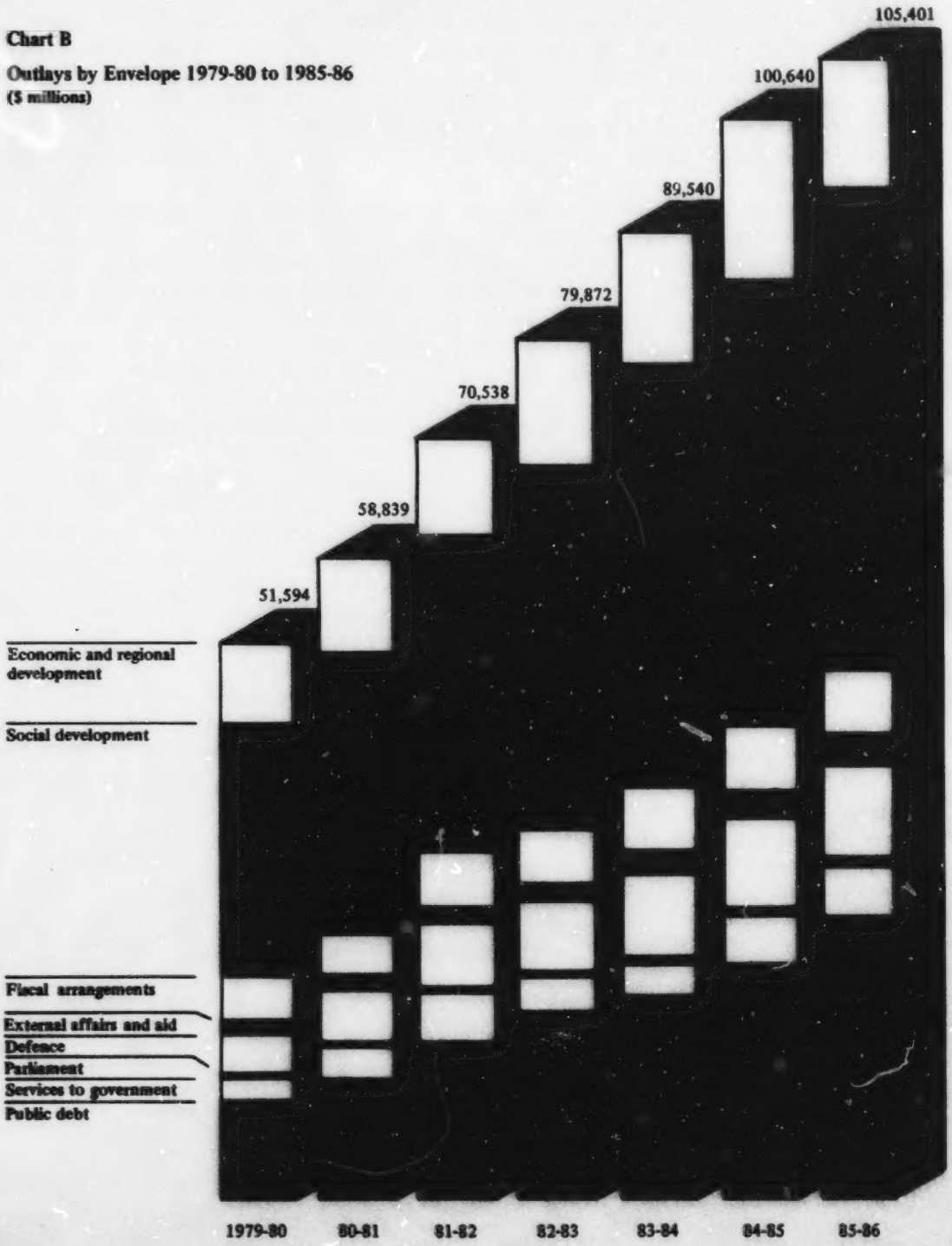
In the period from 1979-80 to 1985-86, total outlays increase at an average annual compound rate of 12.6 per cent although the expenditure reduction initiative announced in the November 8, 1984 Economic and Fiscal Statement contributes to a relatively modest increase of 4.7 per cent in 1985-86.

Public debt charges, reflecting the growth in financial requirements over the period and high real interest rates, are the fastest growing component, increasing at an average annual rate of 20.1 per cent. Program outlays, i.e. total outlays less public debt charges, increase at an average annual compound rate of 10.8 per cent over the period. In terms of relative growth rates, the Social Development (11.2 per cent) External Affairs and Aid (11.7 per cent), Defence (13.5 per cent), Services to Government (11.9 per cent) and Parliament (12.5 per cent) envelopes grow at rates above the average rate of growth of program outlays whereas the Fiscal Arrangements (7.7 per cent) and Economic and Regional Development (9.0 per cent) envelopes exhibit below average rates of growth over the period.

The growth of government expenditures is not independent of the underlying behavior of economic activity. Over the period in question, the performance of the Canadian economy can be characterized as exhibiting below average rates of real economic growth and above average rates of inflation which in turn have impacted on the overall growth of program outlays. Inflation has obviously been a major factor in the total growth in program outlays over the period. The cyclical weakness of the Canadian economy has also impacted on the growth of program outlays as witnessed by the increase in automatic stabilizers such as government expenditures on the Unemployment Insurance program and a series of counter-cyclical initiatives in the areas of job creation and training, housing stimulus and mortgage assistance, assistance to small business, farmers and fishermen and government capital expenditures. Major policy initiatives which contributed to the growth in program outlays over the period were the expenditure initiatives associated with the National Energy Program, the commitment to increase foreign aid programs sufficiently rapidly to reach the target of 0.5 per cent of GNP by 1985-86, the commitment to NATO that defence spending would increase annually by 3 per cent in real terms and enrichments to the Guaranteed Income Supplement Program. Partially offsetting these expenditure initiatives were various expenditure reduction/reallocation exercises, the most recent of which was the expenditure reduction initiative announced on November 8, 1984.

Chart B

Outlays by Envelope 1979-80 to 1985-86
($ millions)



Chapter 3
The Expenditure Plan by Envelope

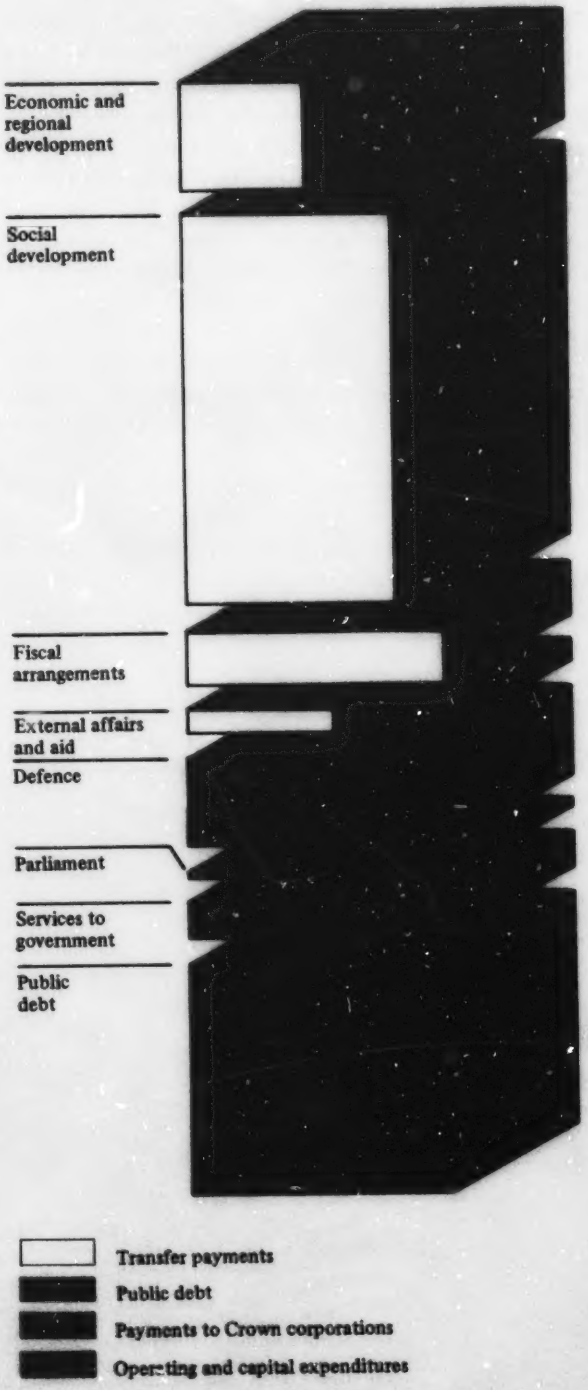
The government's Fiscal Plan is established and presented through the Minister of Finance's Budget or Economic Statement. That Fiscal Plan is based on projected revenues arising out of existing or announced tax policies and on planned expenditures. The forecast of expenditures takes into account the government's overall priorities and the funding of new initiatives, as well as the projected cost of existing policies and programs. The expenditure plan also establishes spending levels, or *envelopes*, within the level of total outlays, for eight policy sectors. The current envelope structure reflects the incorporation of the previous Energy envelope into the Economic and Regional Development envelope and of the Justice and Legal envelope into the Social Development envelope. The current plan for 1985-86 was presented by the Minister of Finance in his Economic and Fiscal Statement of November 8, 1984.

The envelope system ensures that policy and program changes, resulting in changes to the level and distribution of expenditures, can be developed and implemented in an orderly fashion. It enables closer integration of priority setting, policy development and expenditure management by the government.

Programs have been assigned to envelopes in order to provide for focused consideration of competing policy options while, at the same time, recognizing that Ministers' responsibilities for their respective departments and agencies should not be dispersed across several sectors and Cabinet Committees. This chapter devotes one section to each of the eight envelopes, including a general description of the purpose of the expenditures within each, and a discussion of the major programs included in the 1985-86 Main Estimates and changes from the 1984-85 Main Estimates.

Chart C depicts the relative size of each envelope within the total budget and of the types of payment within each envelope. Briefly, transfer payments include payments to other levels of government, grants and contributions to individuals and organizations, and various subsidies. The government does not directly receive any goods or services in return for these payments. Payments to Crown corporations include the expenditures directed to Crown corporations requiring budgetary appropriations. Operating and capital expenditures of departments and agencies

Chart C
Composition of Envelopes by Type of Payment



reflect the cost of goods and services purchased by the government. The classification of budgetary outlays by type of payment is discussed more fully in Chapter 4.

As shown in Chart C, the largest single envelope, Social Development, is substantially devoted to transfer payments. These include payments to the provinces for hospital insurance and post-secondary education, and payments to persons for old age security, guaranteed income supplements, family allowances, the government's contribution for unemployment insurance, and payments to Indians for social and economic assistance. A relatively small part of the envelope is accounted for by operating and capital expenditures.

The entire Fiscal Arrangements envelope is devoted to transfer payments to other levels of government, primarily in the form of equalization payments.

Operating and capital expenditures play a more important role in the Economic and Regional Development envelope, given the presence of such departments as Transport, and Fisheries and Oceans. Transfer payments within this envelope are primarily comprised of contributions in the Departments of Energy, Mines and Resources and Regional Industrial Expansion, including payments under the Petroleum Incentives Program and payments to enhance the competitiveness of Canadian industry.

Transfer payments in the External Affairs and Aid envelope take the form of aid to developing countries and grants and contributions to international organizations. The cost of maintaining Canadian diplomatic offices abroad constitutes the largest part of the envelope's operating and capital expenditures.

Setting aside the Public Debt envelope, the remaining three envelopes, Defence, Parliament, and Services to Government, are devoted almost exclusively to operating and capital expenditures and provide the infrastructure required for a national government. The Services to Government envelope includes resources required to gather statistics, collect income taxes, and customs and excise duties, as well as to provide for the central administration and accommodation of the Public Service.

Economic and Regional Development Envelope

Purpose of Expenditures

This envelope is comprised of the former Economic Development and Energy envelopes. Federal government programs funded by this envelope are intended to serve a wide range of purposes, including the stimulation and encouragement of private sector investment and the orderly development, production and disposition of Canada's energy resources.

As emphasized in the Agenda for Economic Renewal, tabled by the Minister of Finance on November 8, 1984, the focus is on economic renewal to be accomplished in a fashion that will permit a cooperative and constructive effort to stimulate investment and economic growth. Some of the challenges that have been laid down include establishing a better framework for growth and job creation, stimulating higher investment, increasing innovation, improving international competitiveness and providing a positive climate for the creation and expansion of new enterprise.

In support of these objectives, Economic and Regional Development Agreements (ERDAs) have now been signed with all of the provinces thereby establishing a solid foundation for launching into cooperative subsidiary agreements for specific sectors. While priorities vary from province to province, sectoral agreements have been reached in such areas as forestry, agriculture, industrial development, tourism, mining, and science and technology.

Expenditure Highlights for 1985-86

Planned spending in the Economic and Regional Development sector is over $3 billion less than that projected for 1984-85. Almost $2 billion appears in table 3.1 as a reduced level of reserves. This large decrease in reserve levels is attributable to two factors. The first, a rather technical one, is the fact that there is a sizable portion of the 1985-86 reserves which is not allocated across individual envelopes. In previous years, most reserves were included in planned envelope targets even though it was recognized that circumstances might necessitate some shifts of those funds between policy sectors as the year's events unfolded. This year's envelope totals only contain reserves specifically earmarked for use within each sector. The other reason, which is not unrelated, is that additional funds were allocated to this envelope for 1984-85 in recognition of such developments as increased Petroleum Compensation requirements. These compensation payments are expected to decline by some $900 million in 1985-86.

The remaining $1.4 billion reduction in this envelope is the difference between Main Estimates levels and primarily results from the expenditure reduction initiative announced on November 8, 1984. Those reductions reduced the Main Estimates for this envelope by some $2.1 billion.

Estimates for the envelope can be divided roughly into five categories of expenditures: transportation, energy, industrial and technological support, agricultural and fisheries support, and a relatively small miscellaneous category.

Transportation amounts to almost 30 per cent of the envelope and includes, for the most part, only the Department of Transport and the Canadian Transport Commission.

While the Estimates of the Department of Transport reflect an overall reduction from the previous year, major capital expansion initiatives in the transportation sector are still a significant feature of 1985-86 expenditure plans. The Surface Transportation Program shows a net decrease from 1984-85 of $184 million in budgetary items to a level of $1,006

Table 3.1
Expenditure Plan: Economic and Regional Development

($ millions)	1982–83	1983–84	1984–85	1985–86
Total envelope	11,981	13,101	16,287	12,967
Less: Reserves	N/A	N/A	2,671	730
Total Main Estimates	**N/A**	**N/A**	**13,616**	**12,237**

million. Of this decrease, $96 million reflects the termination of the grain hopper car purchase program. The remainder includes lower payments to VIA Rail for rail passenger services and to CN Marine Inc. for East Coast ferry services.

The Air Transportation Program shows a net decrease of $177 million to $777 million. This results from the transfer of $13 million to the Canadian Aviation Safety Board; a decrease of $45 million in the capital program due to the completion of a number of major capital projects; an increase of $126 million in revenue due to increased passenger and air traffic; and initiatives announced in November.

The $90 million decrease shown for the Marine Transportation Program to a level of $857 million is largely the result of the completion of capital works and the government's expenditure reductions in the areas of Vessel Traffic Services, deferral of some ship construction and other capital projects.

The increase of $284 million to the Canadian Transport Commission's Estimates reflects a net increase in statutory payments for the Western Grain Transportation Act.

Energy, Mines and Resources and energy-related programs account for one-quarter of the envelope. Funding levels for the Department of Energy, Mines and Resources decline by $330 million from the 1984-85 Main Estimates level. Significant expenditure decreases result from the Canada Oil Substitution Program, the Canadian Home Insulation Program and other reductions announced in the November 8, 1984 Economic and Fiscal Statement. These reductions are partially offset by increased expenditures for Economic and Regional Development Agreements entered into with Newfoundland, Nova Scotia, New Brunswick and Saskatchewan; the inclusion of resources for the Nova Scotia Development Fund, as well as resources for selected research in satellite remote sensing and the Frontier Energy Geoscience Program.

There is also a significant decrease in the loans, investments and advances portion of this envelope as no equity injection is planned for Petro-Canada whereas the 1984-85 Main Estimates included $425 million for this purpose.

Industrial and technological support programs constitute about one-fifth of the envelope and include such programs as those of the Department of Regional Industrial Expansion (DRIE), the Ministry of State for Science and Technology and associated research bodies and the Federal Business Development Bank. This will be the first year for DRIE to include a full year of activities and expenditures for the new generation of subsidiary agreements on industrial development, tourism and advanced technology under the Economic and Regional Development Agreements signed with the provinces. While the Estimates of DRIE show a slight overall decrease of $24 million from the previous year, it should be noted that this takes into account the $200 million removed as part of the expenditure reductions announced in November 1984, and also the winding down of certain older programs such as the General Development Agreements, the Industry and Labour Adjustment Program and the Trade and Convention Centre Program. However, funding under the Industrial and Regional Development Act, has been established at $344 million, some $30 million more than in 1984-85. A major program in DRIE, the Defence Industry Productivity Program, has also been augmented to a funding level of $175 million in 1985-86 which is about $44 million over the previous year.

With respect to the Estimates of the National Research Council of Canada (NRC), there will be a decrease in 1985-86 of $59 million. However, this decrease, which brings the NRC Estimates to $443 million, takes into consideration the rather significant reductions announced in November 1984 which mainly affected new planned programs, but also affected the Energy Research and Development programs which were reduced by $32 million in 1985-86.

Agricultural programs, including the Canadian Forestry Service, the Farm Credit Corporation and the Grains and Oilseeds Program of External Affairs, together with the Department of Fisheries and Oceans represent another one-fifth of the expenditures in this envelope.

The Department of Agriculture has strengthened its resource base in food inspection and regulation to facilitate the orderly marketing of agricultural products, and is implementing a capital equipment and construction plan to rehabilitate and upgrade research and other operational facilities. Major stabilization and crop insurance programs have been retained to ensure that producer income levels are protected. Responsibility for payments under the

Table 3.2
Main Estimates: Economic and Regional Development

($ millions)	1984–85 Main Estimates	1985–86 Main Estimates	Increase or decrease
Agriculture	1,267.9	1,680.2	412.3
Canadian Dairy Commission	6.5	4.4	−2.1
Canadian Livestock Feed Board	18.2	19.7	1.5
Canagrex	5.4	.....	−5.4
Farm Credit Corporation	494.2	90.0	−404.2
Communications: excluding Arts and Culture	176.0	177.0	1.0
Consumer and Corporate Affairs	246.2	193.4	−52.8
Restrictive Trade Practices Commission	1.2	1.2	.....
Standards Council of Canada	6.6	5.4	−1.2
Economic and Regional Development, Ministry of State for	23.5	.....	−23.5
Energy, Mines and Resources	3,158.6	2,828.8	−329.8
Atomic Energy Control Board	20.2	23.7	3.5
Atomic Energy of Canada Limited	331.4	331.6	0.2
National Energy Board	25.2	27.0	1.8
Petro-Canada	460.2	.....	−460.2
Petro-Canada International Assistance Corporation	60.5	.....	−60.5
Environment: Forestry	145.1	.....	−145.1
External Affairs: Program for Export Market Development	30.7	35.0	4.3
Grains and Oilseeds Program	174.0	11.3	−162.7
Canadian Commercial Corporation	24.7	15.8	−8.9
Export Development Corporation	287.0	240.0	−47.0
Fisheries and Oceans	690.1	629.1	−61.0
Labour	95.2	125.5	30.3
Canada Labour Relations Board	5.6	6.0	0.4
Regional Industrial Expansion	1,304.8	1,281.2	−23.6
Cape Breton Development Corporation	134.4	192.0	57.6
Federal Business Development Bank	23.9	45.5	21.6
Foreign Investment Review Agency	7.0	7.2	0.2
Science and Technology, Ministry of State for	8.3	9.1	0.8
National Research Council of Canada	502.4	443.3	−59.1
Natural Sciences and Engineering Research Council	280.3	295.5	15.2
Science Council of Canada	4.8	5.0	0.2
Supply and Services: Unsolicited Proposals for Research and Development, Source Development Fund and Public Awareness	25.0	16.5	−8.5
Transport	3,233.5	2,830.6	−402.9
Canadian Aviation Safety Board	.....	13.6	13.6
Canadian Transport Commission	555.4	839.5	284.1
Grain Transportation Agency Administrator	.....	3.0	3.0
Northern Pipeline Agency	3.8	1.4	−2.4
Sub-total	**13,837.8**	**12,428.5**	**−1,409.3**
Less: Repayments of previous years' loans	221.3	191.9	−29.4
Total	**13,616.5**	**12,236.6**	**−1,379.9**

Prairie Grain Advance Payments Act and the Western Grain Stabilization Act have been transferred from External Affairs to Agriculture and recent amendments were made to the Western Grain Stabilization Act to make it more responsive to producer needs. Finally, resources have been included in these Main Estimates for four new Economic and Regional Development Subsidiary Agreements in the agriculture sector with Manitoba, Saskatchewan, New Brunswick, and Prince Edward Island.

A Minister of State (Forestry) has been appointed and the Canadian Forestry Service is now a separate Program in the Estimates of the Department of Agriculture, reflecting the government's priority for the forestry sector. The continuing regional importance of the federal forest strategy for forest renewal and increased forest productivity is maintained with the signing of various federal-provincial Forest Renewal Agreements.

The Estimates of Fisheries and Oceans exhibit a decrease of $61 million in 1985-86. This can be attributed to a number of factors such as reduced capital expenditures for Special Recovery Capital Projects and a reduction of expenditures associated with the implementation of the recommendations of the Task Force on Atlantic Fisheries. At the same time, however, expenditures will increase for the development and implementation of infrastructure and services in Quebec and Atlantic Canada, for repairs to small craft harbours due to storm damage, for direct cost-charging by the Department of Public Works for dredging services, for research and development and for increased operating requirements of vessels.

The remainder of the Economic and Regional Development envelope amounts to approximately $0.5 billion in 1985-86. The departments involved are Communications, Consumer and Corporate Affairs and Labour. The large decrease in Consumer and Corporate Affairs from the previous year's Main Estimates reflects declining levels of activity in the Urea Formaldehyde Foam Insulation Program while the increase in Labour is due to an increase in statutory labour adjustment benefits and the provision of funding for the Canadian Labour Market and Productivity Centre.

Social Development Envelope

Purpose of Expenditures

This envelope is now comprised of the former Social Affairs and Justice and Legal envelopes.

The federal government's priorities, as described in the November 5, 1984 Speech from the Throne, are to seek national reconciliation, economic renewal, social justice and enhanced law and public safety. The government's social programs and policies will be heavily directed towards the pursuit of these priorities through such activities as the reform and simplification of government programs, the harmonization of policies with the provincial governments, provision of jobs, and amendments to the Criminal Code.

To carry out its social programs and priorities during 1985-86, the federal government will channel $44,801 million, or 42 per cent of its expenditures, through the Social Development envelope. The activities covered by this envelope generally fall into the broad categories of transfers to the provincial and territorial governments, transfers to individuals and direct services to the public.

Expenditures providing transfers to the provincial and territorial governments will make up approximately 30 per cent of the envelope. This includes expenditures in support of post-secondary education, health services, welfare services, assistance to the handicapped, training, and the operation of legal aid.

Expenditures providing transfers to individuals are the largest single block of expenditures in the envelope and cover payments to the elderly, families, the unemployed and veterans and make up approximately 43 per cent of the envelope.

The government will spend approximately 25 per cent of the Social Development envelope on direct services to the public. These include programs related to employment, health, housing, Northern and Native people, and law enforcement and correctional services.

Expenditure Highlights for 1985-86

Planned spending in the Social Development envelope is $1,901 million greater than that projected for 1984-85 despite the fact that reserves for pending pressures and new initiatives are some $900 million less than those required for 1984-85. The major underlying factor in the growth is the increased level of spending on major statutory programs such as Old Age Security, Guaranteed Income Supplement, Spouse's Allowance, and Family Allowance Payments, the Canada Assistance Plan and Established Programs Financing. A partially offsetting factor is the expenditure reduction initiative announced on November 8, 1984. In the absence of those reductions, planned spending in the envelope would have been $683 million higher than shown above.

The 1985-86 Main Estimates provide $43,472 million for this envelope which formerly included both the Canadian Unity Information Office and the Ministry of State for Social Development which were terminated in 1984.

The 1985-86 Main Estimates will provide $26,333 million for the Department of National Health and Welfare or 60 per cent of the Social Development envelope. Statutory expenditures make up the largest part of this total, $25,472 million, an increase of 10 per cent from 1984-85. These expenditures include $12,501 million to be spent on programs related to Old Age Security, $3,928 million for the Canada Assistance Plan, which covers 50 per cent of the costs of provincial programs delivering social, child support and other family services, and $6,490 million for transfer payments to provincial governments for insured health services under Part VI of the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977 (EPF). Transfer payments to the provinces for post-secondary education under EPF are shown in the Main Estimates of

Table 3.3
Expenditure Plan: Social Development

($ millions)	1982–83	1983–84	1984–85	1985–86
Total envelope	33,433	38,704	42,900	44,801
Less: Reserves	N/A	N/A	2,273	1,329
Total Main Estimates	N/A	N/A	40,627	43,472

the Department of the Secretary of State and will total $2,277 million in 1985-86. In addition to direct cash expenditures, the value of tax transfers to the provinces under EPF is estimated to be $7 billion in 1985-86.

The 1985-86 Main Estimates include expenditures of $4,045 million for Employment and Immigration. This total represents a decrease of $514 million from 1984-85 Main Estimates due in part to expenditure reductions announced on November 8, 1984. However, the 1985-86 Main Estimates for Employment and Immigration do not include the $1 billion announced in the November Statement primarily to help Canadians acquire new skills and find jobs. This amount is included in the envelope reserves and will take the form of Supplementary Estimates during 1985-86. The 1985-86 Main Estimates provide for a government contribution to the Unemployment Insurance Account of $2,616 million. The Estimates also include $427 million in the area of direct job creation spending along with $805 million for employment-related training.

Main Estimates for the Department of Indian Affairs and Northern Development total $2,330 million. Programs financed through the Indian and Inuit Affairs Program amount to $1,505 million and include $309 million for social assistance, $449 million for Indian education and $124 million for assistance to Indian bands in administering programs. Payments of settlements for comprehensive claim agreements under the Native Claims Program increase in 1985-86 from $1.4 million to $12.8 million. Expenditures under other federal programs also benefit Native people both directly and indirectly. For example, payments of some $578 million have been allocated to assist the governments of the Yukon and Northwest Territories in providing services to persons in the North, approximately half of whom are Native people.

The Estimates of the Department of Veterans Affairs total $1,577 million and include expenditures of $748 million for veterans pensions and $466 million for veterans allowances.

The Estimates of the Canada Mortgage and Housing Corporation (CMHC) amount to $1,521 million of which $1,248 million will be spent on social housing. This increase of $104 million over CMHC's 1984-85 Estimates is largely due to social housing subsidy programs.

In the cultural area, the 1985-86 Main Estimates of the Canadian Broadcasting Corporation decrease to $847 million due to expenditure reductions. At the same time, Estimates of the Department of Communications and of other cultural agencies for which the Minister of Communications is responsible increase by $110 million to a level of $566 million. This includes $82 million for the transfer of responsibility for the Canada Museums Construction Corporation Inc. from the Department of Public Works.

The 1985-86 Main Estimates provide $727 million for the Department of the Environment. Included in the department's expenditures for 1985-86 are $303 million to be spent by Parks Canada for the operation of national parks and historic sites and $192 million for the operation of Canada's weather forecasting network.

The 1985-86 Main Estimates provide $1,943 million for the Solicitor General which includes the department, the Correctional Service of Canada, the National Parole Board, the Royal Canadian Mounted Police and the Canadian Security Intelligence Service. The expenditures of the department total $188 million in the 1985-86 Main Estimates including $162 million for agreements with the provinces to assist in the funding of services provided to young offenders. The provision of correctional services by the Correctional Service of Canada amounts to $796 million and the National Parole Board, $15 million. An increase of $36 million in the expenditures of the Correctional Service of Canada is due to higher capital and operating expenditures arising largely from the growth in the inmate population. The budget of the RCMP for the enforcement of federal statutes and the provision of policing services under contract to Canadian police forces in provinces, territories and municipalities amounts to $828 million in 1985-86. In addition, $116 million is budgeted for the Canadian Security Intelligence Service.

The expenditures of the Department of Justice, which includes the department and various commissions and courts, will total $302 million in 1985-86. These expenditures include an increase of $20 million for contributions to the provinces and territories under cost-sharing agreements to assist in the operation of legal aid for adults and young offenders.

Table 3.4
Main Estimates: Social Development

($ millions)	1984–85 Main Estimates	1985–86 Main Estimates	Increase or decrease
Communications: Arts and Culture	90.9	176.4	85.5
Canada Council	69.6	72.0	2.4
Canadian Broadcasting Corporation	895.7	846.8	−48.9
Canadian Film Development Corporation	54.8	65.3	10.5
Canadian Radio-television and Telecommunications Commission	25.5	25.4	−0.1
National Arts Centre Corporation	14.8	14.6	−0.2
National Film Board	62.5	62.9	0.4
National Library	29.8	32.9	3.1
National Museums of Canada	69.5	74.9	5.4
Public Archives	39.4	41.9	2.5
Employment and Immigration	4,559.3	4,045.2	−514.1
Immigration Appeal Board	4.4	4.5	0.1
Environment: Environment Programs	741.8	727.0	−14.8
Indian Affairs and Northern Development	2,111.7	2,330.5	218.8
Northern Canada Power Commission	6.5	4.1	−2.4
Justice	145.1	158.7	13.6
Canadian Human Rights Commission	9.2	9.3	0.1
Commissioner for Federal Judicial Affairs	96.9	106.7	9.8
Federal Court of Canada	7.9	9.3	1.4
Law Reform Commission of Canada	5.0	5.1	0.1
Offices of the Information and Privacy Commissioners of Canada	2.9	3.2	0.3
Supreme Court of Canada	5.7	6.1	0.4
Tax Court of Canada	4.2	4.0	−0.2
Labour: Canada Mortgage and Housing Corporation	1,417.8	1,521.4	103.6
Canadian Centre for Occupational Health and Safety	5.0	7.7	2.7
National Health and Welfare	23,839.8	26,270.7	2,430.9
Fitness and Amateur Sport	61.6	62.4	0.8
Medical Research Council	157.0	130.6	−26.4
Secretary of State	2,708.9	3,093.6	384.7
Advisory Council on the Status of Women	2.2	2.4	0.2
Social Sciences and Humanities Research Council	56.9	60.9	4.0
Status of Women—Office of the Co-ordinator	2.8	2.8	.....
Social Development, Ministry of State for	7.2	.....	−7.2
Solicitor General	20.3	187.6	167.3
Canadian Security Intelligence Service	.....	115.9	115.9
Correctional Service	759.5	795.8	36.3
National Parole Board	13.8	15.0	1.2
Royal Canadian Mounted Police	873.8	828.3	−45.5
Treasury Board: Employment Initiatives	170.0	15.0	−155.0
Veterans Affairs	1,521.6	1,577.4	55.8
Sub-total	**40,671.3**	**43,514.3**	**2,843.0**
Less: Repayments of previous years' loans	44.6	42.0	−2.6
Total	**40,626.7**	**43,472.3**	**2,845.6**

Fiscal Arrangements Envelope

Purpose of Expenditures

The general purpose of expenditures under the Fiscal Arrangements envelope is to provide unconditional fiscal assistance to provinces; that is, a transfer of funds without any conditions or stipulations as to how such moneys shall be used. The programs to be provided for in the envelope are either need-related or tax-related.

The need-related programs are fiscal equalization, statutory subsidies under the Constitution Acts 1867-1982 and other statutory authority, and fiscal stabilization. Approximately 90 per cent of the total expenditures in the Fiscal Arrangements envelope are made under the Fiscal Equalization Program. The purpose of this program is to make it possible for all provinces to provide their residents with a reasonable level of public services at reasonably comparable levels of taxation.

The tax-related programs are: the income tax revenue guarantee for provinces, which protects them in certain circumstances against revenue losses resulting from modifications made to the personal income tax by the federal government; grants to municipalities and provinces in lieu of property taxes; reciprocal taxation payments to provinces in respect of consumption taxes; payments to provinces of a share of federal income tax collected from privately-owned public utilities; and recoveries from Quebec in respect of three personal income tax points transferred to that province in lieu of a federal Youth Allowance Program that was subsequently discontinued.

Expenditure Highlights for 1985-86

The Main Estimates provision of $5,688 million for the Fiscal Arrangements envelope is $214 million or 3.6 per cent lower than the preceding year's Main Estimates provision of $5,902 million. This decrease is primarily due to a $352 million reduction in the Fiscal Equalization Program payments as the three-year transitional guarantee provision introduced in 1982-83 terminates in 1984-85.

There is a $90 million increase in payments under the Public Utilities Income Tax Transfer Act (PUITTA) from the 1984-85 to the 1985-86 Main Estimates. Information for past taxation years, received after the 1984-85 Main Estimates were prepared, accounts for $55 million of this increase. The $35 million balance of the increase reflects projected continued growth in the 1985 entitlement.

The increase in the amount provided for Reciprocal Taxation from the 1984-85 to 1985-86 Main Estimates of $20 million is due to the forecast annual rate of increase in provincial sales tax payable on purchases of taxable goods and services and adjustments for prior years.

Federal grants in lieu of taxes have increased from $258 million in 1984-85 Main Estimates to $286 million in the 1985-86 Main Estimates. This growth, approximately 11 per cent, is mainly attributable to higher local government tax rates.

Table 3.5
Expenditure Plan: Fiscal Arrangements

($ millions)	1982–83	1983–84	1984–85	1985–86
Total envelope	**5,661**	**5,862**	**5,921**	**5,688**

Table 3.6
Main Estimates: Fiscal Arrangements

($ millions)	1984–85 Main Estimates	1985–86 Main Estimates	Increase or decrease
Finance: Fiscal Equalization, Fiscal Stabilization, Revenue Guarantee, Youth Allowances Recovery, Subsidies under the Constitution Acts, 1867-1982 and other statutory authority, Reciprocal Taxation, Public Utilities Income Tax Transfer	5,666.6	5,426.8	– 239.8
Public Works: Municipal Grants	258.5	286.0	27.5
Sub-total	**5,925.1**	**5,712.8**	**– 212.3**
Less: Repayments of previous years' loans	23.1	25.0	1.9
Total	**5,902.0**	**5,687.8**	**– 214.2**

Purpose of Expenditures

The programs included in the External Affairs and Aid envelope deal principally with assistance to developing countries and with the representation of Canadian interests abroad in the areas of foreign policy, economic growth including trade development, peace and security, Canadian sovereignty and national identity, and social justice. The Department of External Affairs has as its primary responsibility the promotion and protection of Canada's interests abroad and the conduct of Canada's external relations, both bilaterally and multilaterally through the international organizations of which Canada is a member. In close cooperation with External Affairs, the Canadian International Development Agency (CIDA) is charged with the administration and delivery of an extensive program of assistance to developing countries.

Reflecting this breadth of interests, Canada recognizes or has diplomatic relations with virtually all countries, and is a member of, or a participant in, the United Nations, its associated agencies and many other international organizations and programs. These relations are handled through 119 posts abroad, including those accredited to multilateral organizations. The size and range of the activities of these posts vary according to their location or purpose vis-à-vis the organizations to which they are accredited. For example, in certain countries the emphasis may be on trade promotion, whereas in many developing countries the focus would be upon development assistance. Involvement in multilateral organizations is in furtherance of Canada's objectives concerning peace and security, international economic relations, humanitarian issues and economic development.

There is no fixed order or hierarchy in Canada's wide range of interests outside of its borders. The emphasis given to certain interests is related to both domestic and international circumstances. Currently, particular attention is being given to issues and interests related to economic growth including trade development, and international peace and security.

Canada has traditionally been regarded as a country with a high level of active concern for international development. The primary purpose is to help people of developing countries achieve self-sustainable economic and social growth. The various aid programs also have important benefits for the Canadian economy since procurement of Canadian goods and services to support development projects overseas is a stimulus to Canadian industry and can help develop export markets.

The External Affairs and Aid envelope also includes resources for participation in world exhibitions, for the operating costs of the Petro-Canada International Assistance Corporation, and for the International Development Research Centre, which supports research into the problems of the developing regions of the world. The financial support for international financial institutions that is included in the Estimates of the Department of Finance is also within this envelope, as is the International Joint Commission, which concerns itself with a variety of boundary water and environmental issues along the United States-Canada border.

Table 3.7
Expenditure Plan: External Affairs and Aid

($ millions)	1982–83	1983–84	1984–85	1985–86
Total envelope	2,028	2,261	2,740	2,735
Less: Reserves	N/A	N/A	138	13
Total Main Estimates	N/A	N/A	2,602	2,722

Expenditure Highlights for 1985-86

The 1985-86 Main Estimates include $2,214 million in budgetary expenditures and $583 million in loans, investments and advances for the External Affairs and Aid envelope. This represents an increase of $178 million in budgetary expenditures and a decrease of $47 million in loans, investments and advances over last year's Main Estimates.

The additional $40 million provided to the Department of External Affairs is required for increased workload both at home and abroad, together with a number of new initiatives including increases in trade promotion activities and disarmament, arms control and human rights activities, and increased support to Official Development Assistance (ODA) programs. Workload increases are in part attributable to the transfer of responsibilities for medical posts abroad from the Department of Health and Welfare.

The total of ODA commitments has been established at $2,250 million, $139 million higher than in 1984-85. Table 3.8 provides the distribution of assistance for each year.

ODA cash requirements provided for in the Estimates total $2,113 million. One reason this amount differs from the ODA total shown in table 3.8 is that, for the most part, payments to international financial institutions are made by issuing promissory notes. Cash is drawn against these notes by recipient institutions in future years as required and it is a forecast of these actual cash draws in 1985-86 that is included in the Main Estimates. The full value of the notes is, however, included in the calculation of ODA in the year in which they are issued and is so reported to the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD).

The budgetary Main Estimates of the Canadian International Development Agency are $103 million higher than in 1984-85. This is reflected in major increases in bilateral development assistance and contributions towards the cost of development assistance undertakings by Canadian and international non-governmental organizations.

The Agency's loans, investments and advances in Main Estimates decrease by $20 million primarily due to lower cash payments to international financial institutions.

Table 3.8
Official Development Assistance

($ millions)	1984–85	1985–86
Country-to-country cooperation (CIDA)	1,097	1,164
International initiatives (CIDA)	516	554
Funding for international financial institutions (Department of Finance)	252	324
International Development Research Centre	81	86
Department of External Affairs multilateral contribution	29	29
Reserve for new initiatives	13	.....
Petro-Canada International Assistance Corporation	60	30
Administrative resources applicable to ODA (CIDA and Department of External Affairs)	99	106
Total	**2,147**	**2,293**
Less: Repayments of previous years' loans	36	43
Net Official Development Assistance	**2,111**	**2,250**

Table 3.9
Main Estimates: External Affairs and Aid

($ millions)	1984–85 Main Estimates	1985–86 Main Estimates	Increase or decrease
Energy, Mines and Resources: Petro-Canada International Assistance Corporation	.....	30.5	30.5
External Affairs	699.4	739.5	40.1
Canadian International Development Agency	1,644.2	1,727.0	82.8
International Development Research Centre	81.0	86.0	5.0
International Joint Commission	3.4	3.5	0.1
Finance: Development Assistance	237.7	210.8	−26.9
Sub-total	**2,665.7**	**2,797.3**	**131.6**
Less: Repayments of previous years' loans	63.8	75.7	11.9
Total	**2,601.9**	**2,721.6**	**119.7**

A decrease of $27 million in loans, investments and advances within the Main Estimates of the Department of Finance is entirely attributable to changes in the encashment rates of demand notes issued to the International Development Association, the concessional lending arm of the World Bank, and the International Bank for Reconstruction and Development.

The International Development Research Centre shows an increase of $5 million in Main Estimates.

Defence Envelope

Purpose of Expenditures

The Defence envelope consists of expenditures for the Defence Services Program, which includes all the activities and resources of the Department of National Defence, and Defence Construction (1951) Limited, a Crown corporation which provides construction, contracting and supervision services to the department.

The objective of the Defence Services Program is to ensure the security of Canada and to contribute to the maintenance of world peace. In support of this objective, the program includes the activities of the Canadian Forces which supplement and support civilian authorities in maintaining surveillance, and preserving control over and security within territory under Canadian jurisdiction. To enhance the security of Canada through joint defence measures, the program supports Canadian participation in the North Atlantic Treaty Organization (NATO) and cooperation with the United States in the defence of North America. In order to promote international stability, the program provides military assistance to United Nations' sponsored peacekeeping operations as well as military training to friendly nations. The program also mobilizes resources to assist in emergency or disaster relief and search and rescue operations.

Expenditure Highlights for 1985-86

The 1985-86 Main Estimates include $9,383 million for the Defence envelope. This represents an increase of $616 million or 7 per cent over the 1984-85 Main Estimates, and will permit continued achievement of the NATO goal of three per cent real growth in defence spending.

A large portion of the increase in the Defence envelope is accounted for by a $219 million increase in capital expenditures that reflects a continuing need to re-equip and modernize the Canadian Forces. Total capital expenditures represent approximately 27 per cent of the envelope and provide for the acquisition of such major equipment as the CF-18 Fighter Aircraft and the new Canadian Patrol Frigates.

There is an increase of $160 million in military personnel costs which includes costs associated with the addition of 693 military person-years in 1985-86.

Also included is an additional $43 million to improve the combat readiness of the Canadian Forces and the sustainability of the Forces under combat conditions.

Table 3.10
Expenditure Plan: Defence

($ millions)	1982–83	1983–84	1984–85	1985–86
Total envelope	6,990	7,973	8,782	9,383
Less: Reserves	N/A	N/A	15	.....
Total Main Estimates	**N/A**	**N/A**	**8,767**	**9,383**

Table 3.11
Main Estimates: Defence

($ millions)	1984–85 Main Estimates	1985–86 Main Estimates	Increase or decrease
National Defence	**8,767.2**	**9,383.2**	**616.0**

Parliament Envelope

Purpose of Expenditures

The Parliament envelope includes resources required for the Senate, the House of Commons and the Library of Parliament, for the provision of administrative and technical services to Members of Parliament, as well as salaries for Members and personnel.

Table 3.12
Expenditure Plan: Parliament

($ millions)	1982–83	1983–84	1984–85	1985–86
Total envelope	**167**	**178**	**196**	**201**

Expenditure Highlights for 1985-86

Salaries and allowances for Members of the House of Commons, Senators and parliamentary staff amount to $131 million in 1985-86. The remaining $70 million reflects administration costs for the Senate, the House of Commons and the Library of Parliament, $3 million in grants and contributions to Parliamentary associations and $2.5 million in capital expenditures.

Table 3.13
Main Estimates: Parliament

($ millions)	1984–85 Main Estimates	1985–86 Main Estimates	Increase or decrease
The Senate	26.4	27.0	0.6
House of Commons	155.1	163.4	8.3
Library of Parliament	10.1	10.5	0.4
Total	**191.6**	**200.9**	**9.3**

Services to Government Envelope

Purpose of Expenditures

The Services to Government policy sector comprises a group of government departments and agencies engaged in a wide range of activities. Some, such as Public Works and Supply and Services, direct virtually all their resources to the support of other departments and agencies. Others, such as the Canada Post Corporation, Statistics Canada and the National Capital Commission, provide their services mainly to the public. National Revenue collects taxes and duties on behalf of the government. The envelope also includes a number of smaller agencies such as the Economic Council of Canada, an advisory body engaged in economic research, and the Tariff Board, which adjudicates appeals from customs and excise rulings.

The Services to Government envelope amounts to $4,095 million or 3.9 per cent of planned total outlays in 1985-86. Of this total, $3,990 million is provided for in the Main Estimates.

Public Works, one of the envelope's largest departments, has several functions. It provides accommodation, through construction, purchase or lease, and architectural, engineering and related services to federal departments and agencies; constructs and maintains roads and bridges under federal jurisdiction; manages surplus federal lands; and issues grants to municipal and other authorities in lieu of taxes on federal government property. The National Capital Commission has a mandate for the development, conservation and improvement of the National Capital Region through a program of land development, transportation services, utilities, recreation and culture.

National Revenue administers a variety of acts including the Customs Act and the Income Tax Act. It also carries out administrative functions on behalf of other federal departments, such as the collection of Canada Pension Plan contributions and unemployment insurance premiums, and on behalf of provincial governments in respect of the collection of provincial income taxes and the administration of various tax credit plans.

Another department with large appropriations is the Treasury Board Secretariat. Its Estimates include both the government's contribution, as employer, to employee insurance plans and the Treasury Board contingency vote which is used to supplement other votes for salary requirements and to provide for miscellaneous minor and unforeseen expenses not otherwise provided for.

The Department of Finance provides advice to the government on the economic and financial situation, the overall fiscal framework, debt management and the tax system. It also administers such programs as Fiscal Transfer Payments.

The Main Estimates also include a provision for the expected operating deficit of the Canada Post Corporation and for a payment for postal infrastructure requirements in relation to cultural mailings.

Expenditure Highlights for 1985-86

Main Estimates for this envelope have decreased by $125 million in 1985-86. This net reduction reflects increases in salaries and wages on the one hand and major constraints and reductions in non-salary operating costs and program reductions on the other. These reductions include a $150 million decrease in the provision for the expected operating deficit for the Canada Post Corporation, a 13 per cent overall budget decrease in the National Capital Commission and major reductions in capital expenditures in Public Works ($14 million).

Table 3.14
Expenditure Plan: Services to Government

($ millions)	1982–83	1983–84	1984–85	1985–86
Total envelope	2,641	3,315	4,379	4,095
Less: Reserves	N/A	N/A	264	105
Total Main Estimates	**N/A**	**N/A**	**4,115**	**3,990**

More than 95 per cent of the Estimates tabled for this envelope are accounted for by one half the departments and agencies in it. The five largest, Public Works ($931 million), Taxation ($713 million), Customs and Excise ($418 million), the Treasury Board Secretariat ($641 million) and the Canada Post Corporation ($370 million) account for 77 per cent of the total.

The provision and maintenance of accommodation for other government departments is the major component of Public Works' spending and represents $692 million of Public Works' Estimates for 1985-86 net of revenue. Public Works is also seeking authorization to spend revenues of $176 million in 1985-86. Taxation's Estimates include funding for the processing of tax returns and appeals and to provide for the compliance with tax legislation. Similarly, the Estimates for Customs and Excise reflect the costs of both the collection of duties and taxes, and the compliance with customs and excise legislation. The amount for the Treasury Board Secretariat includes $340 million for the Government Contingencies Vote and $242 million for the government's contribution, as the employer, to various insurance plans affecting Public Service employees.

The Main Estimates for 1985-86 also include a statutory provision of $200 million for the expected operating deficit of the Canada Post Corporation and a voted amount of $170 million to provide for postal infrastructure related to cultural mailings.

Other major components of the envelope are the Department of Supply and Services, Statistics Canada, the Public Service Commission, the Department of Finance and the National Capital Commission.

The Supply and Services entry reflects the $208 million net cost of the Services Program and the $32 million net cost of the elements of the Supply Program in this envelope. Supply operations are, for the most part, handled through the Supply Revolving Fund on a revenue-dependent basis in order that the cost of materials used by the various government departments can be reflected in the total costs for those individual departments.

Although Statistics Canada's Main Estimates make no provision for the 1986 Census, the agency has developed plans to implement the reinstated mid-decade Census while still achieving savings equivalent to those envisaged. These savings will be achieved in various ways including revenue generation, modified Census design and program modification.

The Public Service Commission will spend $125 million to undertake staffing operations other than those delegated to individual departments, to assume a large portion of the language training costs for the Public Service and to handle appeal actions by public servants under the Public Service Employment Act. Developmental training programs are operated by the Commission but are cost-recovered from the departments that make use of these programs.

About half of the Finance estimates in this envelope represents the purchase of metals for the production of domestic coinage.

The major expenditures of the National Capital Commission are for planning, developing and maintaining federal land in the National Capital Region to express the symbolic role of the Capital. Some expenditures are cost-shared with other levels of government to assist in projects which will result in improvements to the Capital.

Table 3.15
Main Estimates: Services to Government

($ millions)	1984–85 Main Estimates	1985-86 Main Estimates	Increase or decrease
Finance	99.5	97.4	−2.1
Auditor General	40.6	43.0	2.4
Insurance	12.8	13.5	0.7
Tariff Board	2.3	2.7	0.4
Governor General	5.3	6.1	0.8
National Revenue – Customs and Excise	399.2	417.6	18.4
National Revenue – Taxation	670.5	712.9	42.4
Canada Post Corporation	520.0	370.0	−150.0
Privy Council	45.1	42.2	−2.9
Canadian Intergovernmental Conference Secretariat	2.1	2.1	.....
Chief Electoral Officer	3.1	3.2	0.1
Commissioner of Official Languages	10.0	9.9	−0.1
Economic Council of Canada	8.3	8.6	0.3
Public Service Staff Relations Board	9.0	9.7	0.7
Public Works: excluding Municipal Grants	1,044.4	931.3	−113.1
National Capital Commission	107.6	93.5	−14.1
Secretary of State: Public Service Commission	119.7	125.3	5.6
Supply and Services: excluding Unsolicited Proposals for Research and Development, Source Development Fund and Public Awareness	208.4	240.2	31.8
Statistics Canada	205.1	207.7	2.6
Treasury Board: Secretariat, excluding Employment Initiatives	586.6	641.1	54.5
Comptroller General	15.4	11.7	−3.7
Total	**4,115.0**	**3,989.7**	**−125.3**

Public Debt Envelope

Purpose of Expenditures

The major purpose of expenditures within the Public Debt envelope is to pay holders of certain federal government liabilities the rate of return promised at the time of issue. These interest-bearing liabilities include all of the federal government's unmatured debt as well as a number of special funds and accounts. Unmatured debt includes the outstanding balances of Government of Canada domestic Marketable Bonds, Treasury Bills, Canada Savings Bonds, Canada Pension Plan investments in federal securities, and foreign borrowing. Special funds and accounts include the outstanding balances in annuity, insurance and pension accounts, deposit and trust accounts, and special drawing rights allocations.

In addition, expenditures within the Public Debt envelope cover the premiums, discounts, commissions and servicing costs necessary to administer the debt program.

Table 3.16
Expenditure Plan: Public Debt

($ millions)	1982–83	1983–84	1984–85	1985–86
Total envelope	**16,971**	**18,146**	**22,660**	**25,545**

Expenditure Highlights for 1985-86

The size of the Public Debt envelope is primarily a function of the accumulation of past budgetary deficits or, in other words, the stock of net public debt outstanding. Net public debt has increased dramatically in the past decade, both in absolute terms and as a percentage of Gross National Product (GNP). In 1975-76, net public debt was $30 billion or 18.3 per cent of GNP. For 1985-86, it is projected that net public debt will increase to $226 billion and that the net debt to GNP ratio will rise to 50.2 per cent. Such an accumulation of debt requires increasing interest charges. Interest rates are also an important determinant of public debt charges, especially in the short term. The projected level of public debt charges for

Table 3.17
Public Debt Charges Breakdown

($ millions)	1983–84	1984–85	1985–86
Interest, bond discount, premiums and commissions			
Interest on unmatured debt payable in Canadian currency	13,741	17,588	19,982
Interest on unmatured debt payable in foreign currency	441	582	578
Sub-total	**14,182**	**18,170**	**20,560**
Interest on other liabilities	3,717	4,220	4,705
Bond discount, premiums and commissions	201	225	235
Servicing costs and costs of issuing new loans	46	45	45
Total Public Debt Charges	**18,146**	**22,660**	**25,545**

1985-86 is determined by the stock of debt outstanding at the beginning of the year, the debt market operations during the year and by certain interest rate assumptions. In this respect, the Public Debt envelope differs from other envelopes, and cannot be viewed as a planned expenditure level.

The 1985-86 Main Estimates of $25,545 million for Public Debt charges are $5,195 million or 25.5 per cent higher than in the 1984-85 Main Estimates and $2,885 million higher than the current forecast for 1984-85. This reflects higher debt levels and higher average interest rates on the outstanding debt than those assumed in the 1984-85 Main Estimates.

Table 3.18
Main Estimates: Public Debt

($ millions)	1984–85 Main Estimates	1985–86 Main Estimates	Increase or decrease
Finance:			
Public debt charges	**20,350**	**25,545**	**5,195**

Chapter 4
The 1985-86 Main Estimates in Summary

Expenditure Framework

The total outlays planned for 1985-86 are $105,401 million, 4.7 per cent higher than in 1984-85. The expenditure framework is summarized in relation to the Main Estimates in table 4.1.

Table 4.1
Expenditure Framework

($ millions)	1985–86
Main Estimates	
Budgetary	102,531
Loans, investments and advances	1,041
Total Main Estimates	**103,572**
Reserve for adjustments to statutory and other programs	2,383
Envelope reserves	1,178
Special Priorities reserve	1,000
Projected Total Estimates	**108,133**
Less: Allowance for lapse	2,397
Repayments of previous loans	335
Total outlays	**105,401**

Spending proposals included in the Main Estimates amount to $103,572 million. This consists of $102,531 million for budgetary expenditures and $1,041 million in gross terms for loans, investments and advances. Included in the budgetary Main Estimates are costs of servicing the public debt, the operating and capital expenditures of government departments and agencies, grants and contributions to other levels of government, persons, and organizations, and subsidies. Loans, investments and advances are those outlays that result in changes in the value of financial assets held by the Government of Canada. They involve the acquisition of such assets from Crown corporations, industry, other governments and international financial institutions.

A reserve of $2,383 million which is not allocated to specific envelopes serves as a contingency reserve within the expenditure framework in case adjustments are required to current forecasts. An additional $2,178 million is included within the envelopes as reserves to cover requirements for Supplementary Estimates arising during the year for known developing pressures and any new spending initiatives the government might choose to undertake. Should the total reserves of $4,561 million be used for Supplementary Estimates, total Estimates for 1985-86 would amount to $108,133 million.

Repayments of loans made in previous years not offset by new loans in the current year have to be subtracted from total Estimates in order to arrive at total planned outlays. In 1985-86, such repayments are estimated to be $335 million. In addition, since the government cannot legally spend more money than is authorized by Parliament and in fact always spends less, a forecast of this shortfall, or lapse of expenditure authority, also has to be subtracted. With these adjustments, total outlays are forecast to be $105,401 million.

Table 4.2
Estimates in Relation to Total Outlays

($ millions)	Main Estimates	Main Estimates as % of Total Estimates	Total Estimates	Total Outlays as % of Total Estimates	Unrevised Total Outlays	Accounting* Changes	Revised Total Outlays
1979-80	52,913	98.1	53,915	96.2	51,844	−250	51,594
1980-81	59,013	95.1	62,070	94.4	58,589	250	58,839
1981-82	64,995	92.7	70,109	98.3	68,913	1,625	70,538
1982-83	74,153	91.0	81,467	98.0	79,797	75	79,872
1983-84	87,461	93.7	93,293	96.0	89,540	.....	89,540
1984-85	96,524	92.3	104,530f	96.3	100,640f	.....	100,640f
1985-86	103,572	95.8	108,133f	97.5	105,401f	.....	105,401f

*As announced in the November 8, 1984 Economic and Fiscal Statement and subsequently reported in the 1983-84 *Public Accounts*.

f = forecast levels

Table 4.2 presents recent historical data and the implications of the 1985-86 Expenditure Plan with respect to Main Estimates and Supplementary Estimates and their relationship to total outlays.

Main Estimates by Type of Authority

Government expenditures cannot be made without parliamentary authority. The Main Estimates contain spending proposals under two forms of parliamentary authority. Statutory expenditures are those that have been given continuing authority by Acts of the current or previous Parliaments and therefore require no new parliamentary approval. Anticipated spending under these programs is reported in the Estimates only for the purpose of informing Parliament of the government's total spending plan. Public debt charges, contributions to provincial health and education programs, Old Age Security and Family Allowances are some examples of statutory budgetary expenditures. Statutory loans, investments and advances include loans to the Canada Mortgage and Housing Corporation, the Farm Credit Corporation and investments in the Export Development Corporation. Growth of statutory spending commitments can, as a general rule, only be controlled through amendments to the specific legislation that furnishes the legal basis for these expenditures.

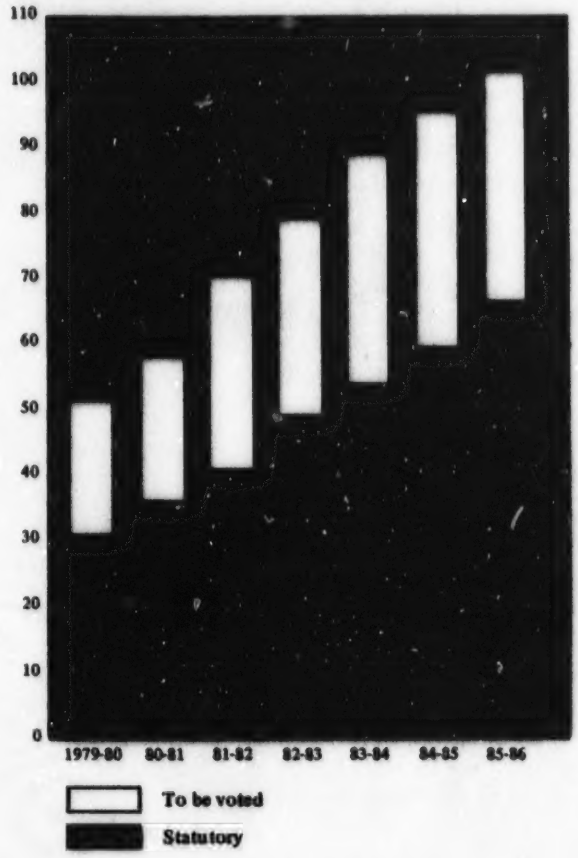
The second type of expenditure authority is that provided by Parliament through Appropriation Acts specifically for the year in question. Examples of these annually-voted spending proposals include budgetary provisions for departmental operating and capital expenditures, capital subsidies for the construction of commercial and fishing vessels, loans to Crown corporations such as the Northern Canada Power Commission and loans to developing countries.

Of the total 1985-86 Main Estimates, $66,355 million, or 64.1 per cent, are statutory and therefore require no new parliamentary authority. Over 90 per cent of statutory program spending is accounted for by four departments: Employment and Immigration, Finance, Health and Welfare and the Secretary of State. In these Estimates, the government is seeking parliamentary authority for appropriations of $37,217 million or 35.9 per cent of the total.

Chart D presents a comparison of spending on statutory programs and on programs to be voted annually. The decline in the relative share of voted spending in 1985-86 is largely attributable to the expenditure reduction initiative announced on November 8, 1984.

Chart D

Outlays by Source of Parliamentary Authority
1979-80 to 1985-86
($ billions)



Budgetary Main Estimates

The 1985-86 Main Estimates include $102,531 million for budgetary expenditures, 99 per cent of the total. These expenditures can be classified according to the various types of payment shown in table 4.3. The growth of budgetary expenditures by type of payment is shown in chart E, and historical data on this basis are illustrated in chart F and provided in supplementary table 4.1S at the end of this chapter.

Transfer payments comprise government expenditures, such as grants and contributions, that do not result in the direct receipt of goods or services. Such payments are made to other levels of government, to persons and to organizations. In total, the 1985-86 Main Estimates provide for transfer payments of $48,523 million, an increase of 4.5 per cent from 1984-85. This increase in transfer payments accounts for 76 per cent of the total growth in budgetary Main Estimates, exclusive of Public Debt Charges.

Transfer payments to other levels of government are estimated to be $19,903 million in 1985-86. Included in this category, and shown graphically in chart F, which presents a historical profile of the government's major programs, are the Established Programs Financing payments, Canada Assistance Plan payments and fiscal transfer payments.

Under Part VI of the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977, the federal government contributes to the financing of insured health services and post-secondary education. Federal contributions under Established Programs Financing (EPF) take the form of both cash payments and tax transfers, and increase from year to year in line with growth in the national economy. The value of the tax transfers grows with the yield of the taxes transferred to the provinces, while the difference between the total EPF contributions and the value of the tax transfers constitutes the cash payments. The 1985-86 Main Estimates include $8,767 million for the cash portion of this program. This represents an increase of 16.6 per cent from the 1984-85 Main Estimates level.

Federal contributions to the provinces under the Canada Assistance Plan are authorized by legislation passed in 1966. The federal contribution amounts to 50 per cent of eligible provincial and municipal expenditures for assistance payments to persons in need, and for certain welfare and health services. Each province administers its own social assistance programs. Estimated federal outlays in 1985-86 under the Canada Assistance Plan are $3,928 million, an increase of 6.3 per cent over the 1984-85 Main Estimates.

Table 4.3
Budgetary Main Estimates by Type of Payment

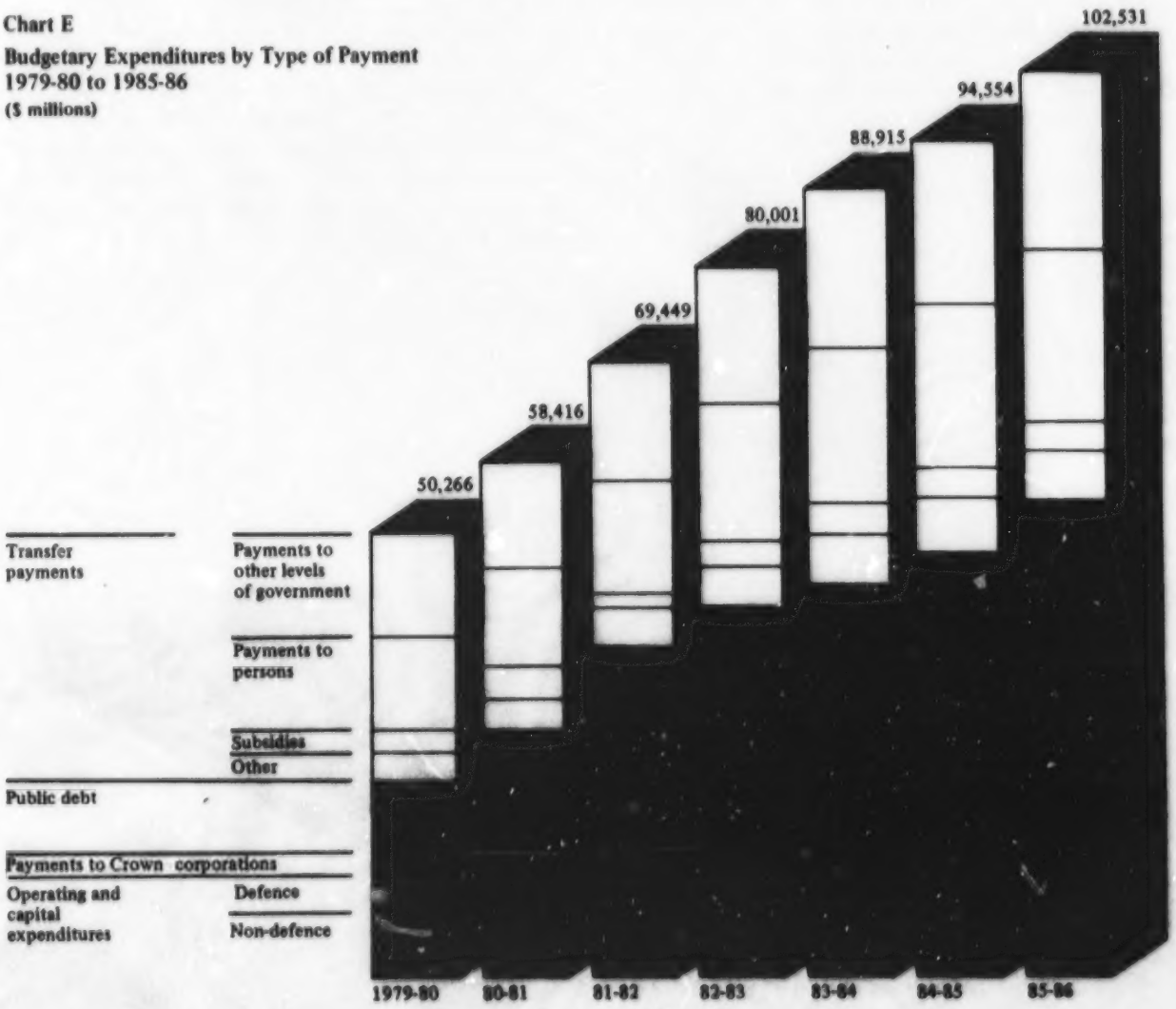
($ millions)	1984–85 Main Estimates	1985–86 Main Estimates	Increase or decrease	Percentage change
Transfer payments				
To other levels of government				
Health Insurance (EPF)	5,600	6,490	890	15.9
Post Secondary Education (EPF)	1,917	2,277	360	18.8
Fiscal Transfer Payments	5,667	5,427	−240	−4.2
Canada Assistance Plan	3,696	3,928	232	6.3
Other	1,633	1,781	148	9.1
Sub-Total	18,513	19,903	1,390	7.5
Per cent of Total	19.6	19.4	17.4	.....
To persons				
Old Age Security, Guaranteed Income Supplement and Spouse's Allowance	11,336	12,501	1,165	10.3
Government's contribution to Unemployment Insurance	2,709	2,616	−93	−3.4
Family Allowances	2,429	2,510	81	3.3
Other	1,816	1,723	−93	−5.1
Sub-total	18,290	19,350	1,060	5.8
Per cent of Total	19.3	18.9	13.3	.....
Subsidies				
Petroleum Incentives Payments	1,600	1,600	.....	.....
Other	1,861	1,796	−65	−3.5
Sub-Total	3,461	3,396	−65	−1.9
Per cent of Total	3.7	3.3	−0.8	.....
Other transfer payments				
Foreign Aid	1,278	1,286	8	0.6
Regional Industrial Expansion	1,001	988	−13	−1.3
Indians and Inuit	709	990	281	39.6
Job Creation projects of Employment and Immigration	660	368	−292	−44.2
Other	2,500	2,242	−258	−10.3
Sub-Total	6,148	5,874	−274	−4.5
Per cent of Total	6.5	5.7	−3.4	.....
Total transfer payments	46,412	48,523	2,111	4.5
Per cent of total	49.1	47.3	26.5	.....
Public Debt Charges	20,350	25,545	5,195	25.5
Per cent of Total	21.5	24.9	65.1	.....
Payments to certain Crown corporations				
Canada Mortgage and Housing Corporation	1,345	1,467	122	9.1
Canadian Broadcasting Corporation	896	847	−49	−5.5
VIA Rail Canada Inc.	679	601	−78	−11.5
Canada Post Corporation	520	370	−150	−28.8
Other	1,178	1,328	150	12.7
Sub-Total	4,618	4,613	−5	−0.1
Per cent of Total	4.9	4.5	−0.1	.....
Operating and Capital Expenditures				
National Defence	8,767	9,383	616	7.0
Other Departments and Agencies				
Salaries, wages and other personnel costs	8,881	9,268	387	4.4
Other	5,526	5,199	−327	−5.9
Sub-Total	23,174	23,850	676	2.9
Per cent of Total	24.5	23.3	8.5	.....
Total	**94,554**	**102,531**	**7,977**	**8.4**

Fiscal transfer payments include equalization payments, subsidies under the Constitution Act, Public Utilities Income Tax Transfer and Reciprocal Taxation. Equalization payments, accounting for over 93 per cent of fiscal transfers, are unconditional payments to provinces having a less than standard capacity to derive revenues from their taxpayers, which thereby implies a restricted capacity to finance public services for their citizens. The standard is determined by the average fiscal capacity of the five provinces of British Columbia, Saskatchewan, Manitoba, Ontario and Quebec. The Estimates include $5,095 million for equalization payments.

Payments to persons account for about 40 per cent of total transfer payments and 18.9 per cent of the 1985-86 budgetary Main Estimates. Old Age Security, Guaranteed Income Supplement and Spouse's Allowance payments to the aged account for a significant portion of the payments in this category. The Main Estimates include $12,501 million for these payments, an increase of $1,165 million from the corresponding 1984-85 level. Old Age Security payments are made to all Canadians over the age of 65. The Guaranteed Income Supplement is paid to those Canadians receiving Old Age Security who qualify on the basis of an income test. The growth in individual

Chart E

Budgetary Expenditures by Type of Payment
1979-80 to 1985-86
($ millions)

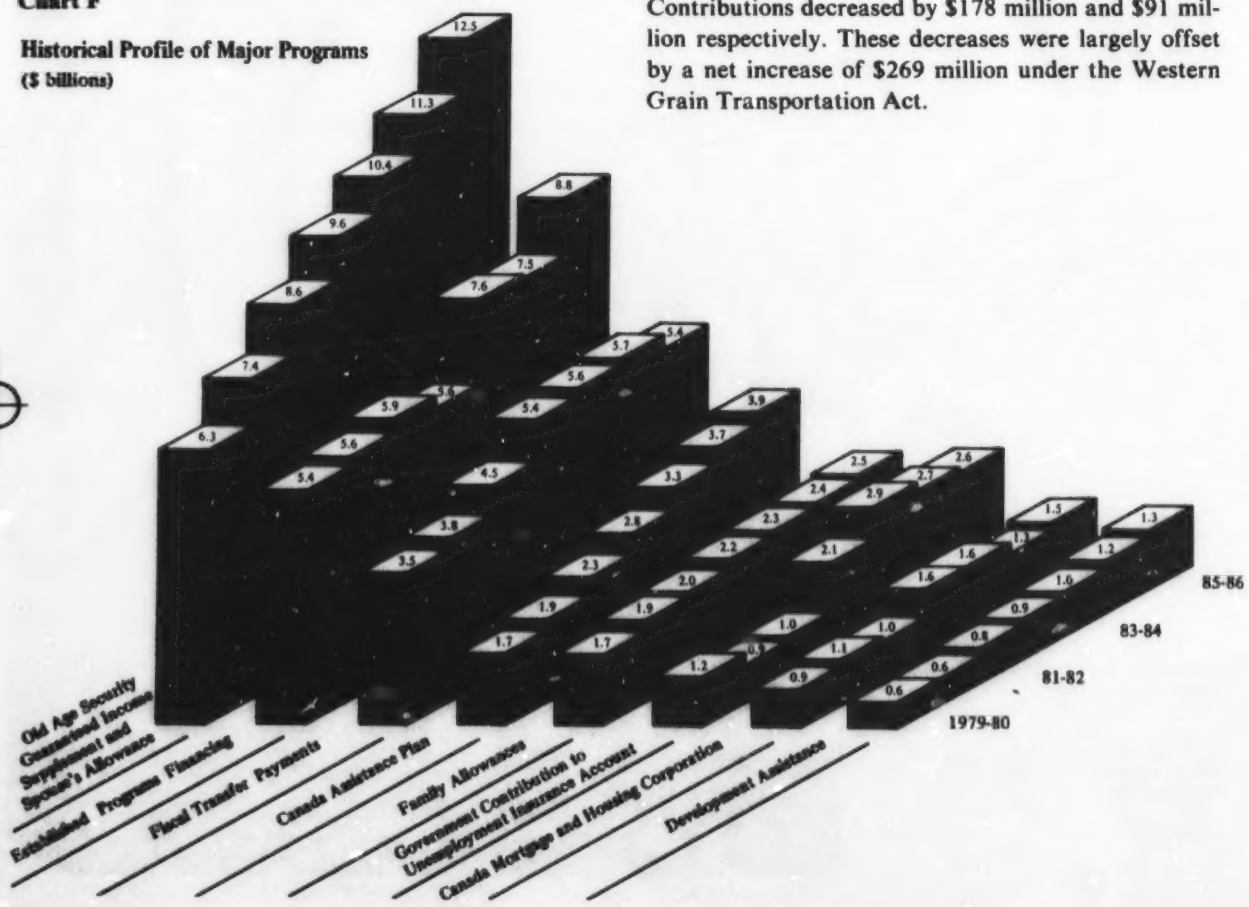


payments is indexed by legislation. The increased amount for these payments is attributable to higher monthly benefits resulting from indexation and to growth in the size of the eligible populations.

Another major program in the transfers to persons category is Family Allowances. Payments under this program are made to all Canadian families with children and are also indexed annually. While the Family Allowance Act provides for the average payment per child to be escalated, the legislation incorporates a flexible formula that permits a province to vary payments according to the number and ages of the children in a family. The Act stipulates, however, that the minimum payment must not be less than 60 per cent of the national average. The 1985-86 Main Estimates provide $2,510 million for Family Allowance payments, an increase of $81 million or 3.3 per cent over the 1984-85 Main Estimates.

Chart F

Historical Profile of Major Programs
($ billions)



Another major item included in the transfers to persons category is the government's contribution to the Unemployment Insurance Account, which along with the premiums paid by employers and employed workers, is used to finance unemployment insurance benefits paid to unemployed persons. The provision of $2,616 million in the 1985-86 Main Estimates is $93 million or 3.4 per cent less than the comparable figure in 1984-85. This decrease reflects the expenditure reduction initiative announced on November 8, 1984 and the lower unemployment rate anticipated for 1985.

These three programs account for 91 per cent of total transfers to persons, and more than account for the growth in this type of payment.

The subsidies category of transfer payments has decreased to $3,396 million, a drop of $65 million from the 1984-85 Main Estimates. In the Energy Program, Natural Gas Laterals and Oil Substitution Contributions decreased by $178 million and $91 million respectively. These decreases were largely offset by a net increase of $269 million under the Western Grain Transportation Act.

Other transfer payments arise under a wide variety of programs, the single largest component being assistance to developing countries. The grants and contributions included in development assistance are used for bilateral and multilateral aid purposes, food aid assistance, special development assistance and international emergency relief. The 1985-86 budgetary Main Estimates include $1,286 million for development assistance. This increase of only 0.6 per cent over 1984-85 primarily reflects the current inclusion of the International Development Research Centre in payments to Crown corporations.

Public debt charges include the interest due and payable on outstanding debt as well as servicing costs and costs of issuing new loans. Their share in total outlays has risen from 12.6 per cent in 1977-78 to 24.2 per cent in 1985-86. In addition, public debt charges account for 9 percentage points of the 13.7 per cent total growth in statutory programs in these Main Estimates.

Payments to Crown corporations include voted budgetary allocations to the Canada Mortgage and Housing Corporation, the Canadian Broadcasting Corporation, Atomic Energy of Canada Limited, VIA Rail Canada Inc., CN Marine Inc. and the Cape Breton Development Corporation. The Main Estimates also reflect a statutory provision of $200 million for the expected operating deficit of the Canada Post Corporation and a voted amount of $170 million to provide for postal infrastructure related to cultural mailings. The expected operating deficit is $150 million less than the provision in the 1984-85 Main Estimates.

The final category of expenditures is related to the operating and capital requirements of government departments and agencies. Because the expenditures of the Department of National Defence constitute such a large proportion of this category, they are displayed separately. The increase in spending for this department in 1985-86 reflects the government's decision that defence expenditures should increase in real terms by three per cent per year as advocated by NATO. The 1985-86 Main Estimates level of $9,383 million in operating and capital expenditures represents an increase of $616 million or 7 per cent over the 1984-85 Main Estimates.

Operating and capital expenditures, including total salaries and wages, of all other departments and agencies account for $14.5 billion or 14.1 per cent of the 1985-86 budgetary Main Estimates. Of this $14.5 billion, salaries and wages, including employee benefit plans and other personnel costs, amount to $9,268 million. The estimated employee benefit plan costs represent the government's contributions as an employer to the accounts shown in table 4.4.

Table 4.4
Main Estimates: Employee Benefit Plan Costs

($ millions)	1985–86 Main Estimates
Employer Contributions to Accounts	
Public Service Superannuation	397
Supplementary Retirement Benefits	527
Canada and Quebec Pension Plans	97
Death Benefits	8
Unemployment Insurance	212
Sub-total	1,241
Less: Recovery from revolving funds and voted appropriations	48
Total	**1,193**

Table 4.5
Main Estimates: Loans, Investments and Advances

($ millions)	1984–85 Main Estimates	1985–86 Main Estimates	Increase or decrease
Crown corporations and agencies			
Lending institutions	854	384	−470
All others	452	16	−436
Total Crown corporations and agencies	**1,306**	**400**	**−906**
Provincial governments	10	8	−2
National governments and development banks	630	583	−47
Private sector enterprises	9	5	−4
Miscellaneous	15	45	30
Total	**1,970**	**1,041**	**−929**

Loans, Investments and Advances

Loans, investments and advances included in the 1985-86 Main Estimates are summarized in table 4.5 according to recipient.

Lending institutions account for 37 per cent of total loans, investments and advances in 1985-86. The largest payment in this category is $240 million to the Export Development Corporation for loans to the private sector to support export promotion. The Estimates also provide $90 million for the Farm Credit Corporation (FCC) for loans to farmers and farm syndicates for mortgages and purchases of farm machinery and installed equipment. Loans to the FCC are $404 million lower than they were in the 1984-85 Main Estimates.

Payments to all other Crown corporations and agencies total $16 million, a decrease of $436 million largely due to the termination of equity payments to Petro-Canada.

Loans to provincial and territorial governments amount to $8 million in the 1985-86 Main Estimates, a decrease of $2 million from 1984-85. For 1985-86, all of the loans to the provinces will be for the financing of regional electrical interconnections.

Loans to national governments and development banks include loans to developing countries and advances to, or investments in, international financial institutions. The Main Estimates include $583 million for these loans, a decrease of $47 million from 1984-85.

Another class of recipients of loans, investments and advances is private sector enterprises, accounting for $5 million. Loans to private enterprises to promote the establishment, growth, efficiency and international competitiveness of Canadian industry under the Enterprise Development Program account for almost all of these expenditures.

Virtually all of the remaining loans are accounted for by $45 million to Native people for claims settlements and for the costs of researching and negotiating land claims.

Table 4.6 sets out repayments of loans made in previous years which have not been offset against new loans in 1985-86 and thus do not appear elsewhere in the Main Estimates documentation.

Table 4.6
Main Estimates: Loan Repayments

($ millions)	1985-86 Main Estimates
Agriculture	0.7
Energy, Mines and Resources	1.4
Atomic Energy of Canada Limited	22.4
External Affairs	32.9
Canadian International Development Agency	42.8
Finance	12.0
Municipal Development Loan Board	13.0
Indian Affairs and Northern Development	4.9
Yukon Territory	0.7
Northwest Territories	1.4
Northern Canada Power Commission	9.5
Regional Industrial Expansion	7.9
Federal Business Development Bank	119.0
Transport	9.0
Air Canada	19.5
Canadian National Railway Company	8.8
Northern Transportation Company Limited	3.2
Veterans Affairs	25.5
Total	**334.6**

Person-years

A person-year is the unit of control of personnel resources, and refers to the employment of one person for one full year or its equivalent, such as two persons for six months. The 1985-86 Main Estimates contain allocations of 258,222 person-years for departments and agencies whose personnel requirements are controlled by Treasury Board.

The 1984-85 Main Estimates indicated a level of 260,370 controlled person-years. To facilitate a comparison with 1985-86, this number must be adjusted to reflect certain changes such as the removal from Treasury Board control of person-years for the Office of the Commissioner of Official Languages and certain person-years in National Defence, as well as the discontinuation of specific security related functions in the RCMP which are now carried out by the Canadian Security Intelligence Service, an organization whose person-years are not subject to Treasury Board control. Adjusting for these changes leads to an adjusted 1984-85 level of authorized person-years of 257,013. The level in 1985-86 Main Estimates represents an increase of less than one-half of one per cent over this adjusted Main Estimates level for 1984-85. This increase is in accordance with the government's commitment to restrain growth of the size of government operations, and to hold the growth of the Public Service to a modest annual rate.

Behind this government-wide increase in authorized levels for person-years lies a considerable degree of variation in growth across departments and agencies. Table 4.7 presents the more significant departmental changes in person-year levels on this adjusted basis.

Table 4.7
Major Changes in Authorized Person-years by Department, Adjusted 1984–85 Main Estimates to 1985–86 Main Estimates

	1984–85 Main Estimates	1985-86 Main Estimates	Increase or decrease
Agriculture	11,686	13,336	1,650
National Revenue – Taxation	19,338	19,863	525
Correctional Service	10,761	11,105	344
National Health and Welfare	9,580	9,833	253
Regional Industrial Expansion	2,724	2,970	246
Energy, Mines and Resources	5,091	5,297	206
Public Works	8,791	8,558	–233
Economic Development	317	.....	–317
Employment and Immigration	24,734	24,127	–607
Environment	11,616	10,294	–1,322
All others	152,375*	152,839	464
Total	**257,013***	**258,222**	**1,209**

*As noted above, these figures have been adjusted to provide comparability with the 1985-86 totals.

The largest year-over-year increase in person-years is being authorized for the Department of Agriculture. The increase of 1,650 person-years includes 1,210 person-years for the transfer of the Canadian Forestry Service from the Department of the Environment. Most of the additional 440 person-years are required for the Agri-Food Regulation and Inspection Program, the Economic and Regional Development Agreements with the provinces, the Canadian Forestry Service, the Food Research Centre at St. Hyacinthe, Quebec, and research testing and public awareness activities on toxic chemicals.

The next largest increase is shown for the Department of National Revenue Taxation. An additional 525 person-years over 1984-85 Main Estimates are required for increased workload in collecting unpaid taxes, verifying non-residents, improving training programs, expanding the advanced ruling service as well as maintaining an acceptable level of service.

The Correctional Service Program shows an increase of 344 person-years primarily in response to continued growth in the number of penitentiary inmates.

In the Department of National Health and Welfare, of the total increase of 253 person-years, 128 are required for public health services in the federal government, 35 for the safety of drugs and chemicals, 28 for the Indian and Inuit professional health career development program, and 62 for mainly workload in the Medical Services and Income Security Programs.

Transfers related to the winding down of the Ministry of State for Economic and Regional Development account for an increase of 184 person-years shown in the Department of Regional Industrial Expansion, which has assumed responsibility for federal economic development coordination and regional project coordination. An additional 62 person-years are required to administer the Native Economic Development Program and other programs within the department.

The Department of Energy, Mines and Resources requires an additional 206 person-years for mineral development agreements with the provinces, the Frontier Energy Geoscience Program and other changes in the Energy and Minerals and Earth Sciences Programs.

The Department of Public Works shows a net decrease of 233 person-years mainly due to the expenditure reduction and general restraint measures announced in the November 8, 1984 Economic and Fiscal Statement.

The person-years in Employment and Immigration decline by 607. This reflects a 488 person-year saving in the delivery of unemployment insurance benefits due to the streamlining of local and district office operations and a forecast decrease in the unemployment rate. The remaining net decrease of 119 person-years primarily reflects the expenditure reduction announced in the November 8, 1984 Economic and Fiscal Statement.

Of the net decrease of 1,322 person-years in the Department of the Environment, 1,210 result from the transfer of the Canadian Forestry Service to the Department of Agriculture. A further decrease of 310 person-years is due to the expenditure reductions announced in the November 8, 1984 Economic and Fiscal Statement. The reductions are offset by an increase of 198 person-years for Parks Canada, the Atmospheric Environment Service, Water Quality Agreements with the provinces, and other related workload in the department.

Additional historical information on authorized levels of person-years is contained in supplementary table 4.2S at the end of this chapter.

Supplementary Table 4.1S
Federal Expenditures by Type of Payment

($ millions)	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
Total Outlays									
Level	44,292	47,786	51,594	58,839	70,538	79,872	89,540	100,640	105,401
% Change	9.3	7.9	8.0	14.0	19.9	13.2	12.1	12.4	4.7
% of GNP	21.1	20.6	19.5	19.8	20.7	22.3	22.9	23.9	23.5
Program Outlays (Net of Public debt charges)									
Level	38,742	40,728	43,070	48,152	55,370	62,901	71,394	77,980	79,856
% Change	8.2	5.1	5.7	11.8	15.0	13.6	13.5	9.2	2.4
% of GNP	18.4	17.5	16.3	16.2	16.3	17.6	18.3	18.5	17.8
Budgetary Outlays	42,672	46,834	50,266	58,416	69,449	80,001	88,915	94,554*	102,531*
Transfer payments	23,576	25,250	27,193	30,563	32,559	38,321	44,502	46,412*	48,523*
Public debt charges	5,550	7,058	8,524	10,687	15,167	16,971	18,146	20,350*	25,545*
Payments to Crown corporations	1,972	2,181	2,621	2,881	4,324	5,648	5,459	4,618*	4,613*
Operating and capital									
National Defence	3,785	4,108	4,389	5,058	6,028	6,992	7,972	8,767*	9,383*
All other departments and agencies	7,789	8,237	7,539	9,227	11,371	12,069	12,836	14,407*	14,467*
(% of Total budgetary outlays)	18.3	17.6	15.0	15.8	16.4	15.1	14.4	15.2	14.1

*These figures for 1984-85 and 1985-86 are tabled Main Estimates figures. Previous year actuals are adjusted so that historical data are consistent with accounting principles employed in the 1983-84 Public Accounts of Canada.

Supplementary Table 4.2S
Authorized Main Estimates Person-Year Levels[1]

	1981-82	1982-83	1983-84	1984-85	1985-86
Main Estimates[2]	255,705	255,189	258,330	260,237	258,222
Percentage Change	1.4	(0.2)	1.2	0.7	(0.8)
Five Major Departments					
National Defence (Civilian)	36,744	36,866	36,938	36,708	35,587
Solicitor General/CSC/NPB/RCMP	30,846	31,322	31,954	32,462	31,112
National Revenue	27,952	28,309	28,639	29,594	30,011
Employment and Immigration	24,003	23,923	25,378	24,734	24,127
Transport	20,935	21,310	21,761	22,164	22,011
Sub-total	140,480	141,730	144,670	145,662	142,848
Percentage Change	1.5	0.9	2.1	0.7	(1.9)
All other departments and agencies	115,225	113,459	113,660	114,575	115,374
Percentage Change	1.3	(1.5)	0.2	0.8	0.7
Adjusted Main Estimates[3]	249,882	252,056	254,687	257,013	258,222
Percentage Change	1.4	0.9	1.0	0.9	0.5
Percentage of the Labour Force	2.1	2.1	2.1	2.1	2.0

[1]These numbers refer to the levels of person-year resources controlled by the Treasury Board. The Treasury Board directly controls the size of the departments and agencies listed in Schedule 1, Parts 1 and 2 of the Public Service Staff Relations Act (PSSRA), with a few exceptions such as the Auditor General's Office and the Commissioner of Official Languages which are listed but not controlled, plus uniformed members of the RCMP.

[2]Does not include Post Office in 1981-82 nor the Commissioner of Official Languages in any year.

[3]Person-year figures have been adjusted to exclude person-years which were previously controlled by the Treasury Board but which are not now e.g., Post Office which is now a Crown corporation, locally engaged staff abroad, the Commissioner of Official Languages plus certain decontrolled person-years at DND. In addition, the numbers reflect the discontinuation of certain security related functions in the RCMP which are now carried out by the Canadian Security Intelligence Service, an organization whose person-years are not subject to Treasury Board control. The 1983-84 adjusted figures also reflect the government-wide reduction announced at the time that year's Main Estimates were tabled.

Chapter 5
The New Form of the Estimates

This year completes the introduction of the new three-part form of the Estimates, culminating a major revision effort begun six years ago.

Background

During the 1970s, Public Accounts Committees, the Auditor General, and the Royal Commission on Financial Management and Accountability (the Lambert Commission) stressed the need for more information that would link government spending to both expected and actual results, and make the government more accountable to Parliament.

Revisions to the Estimates were therefore undertaken jointly by the Treasury Board Secretariat and the Office of the Comptroller General of Canada, in full consultation with interested parties, including Parliament, government and non-government organizations, and the Office of the Auditor General.

Initial proposals for a new three-part form were tabled in Parliament in early 1981 and refined through interviews of a number of Members of Parliament.

Upon completion of this process, the Public Accounts Committee sanctioned a concept for revised Estimates which the House of Commons subsequently endorsed. The views of Members were sought again in developing detailed proposals for Part II.

The Three Parts of the Estimates

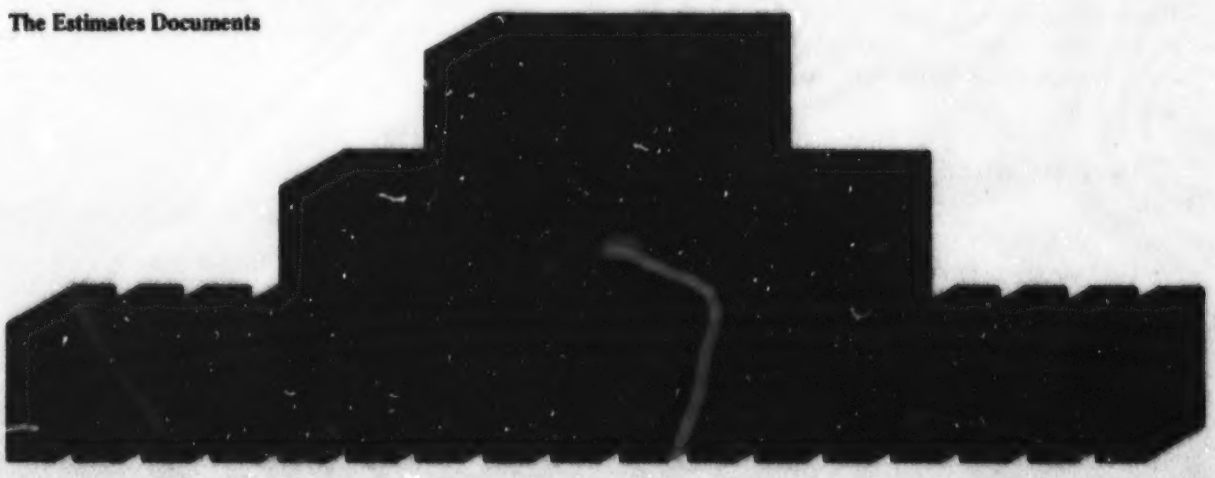
Part I
The Government Expenditure Plan

Part I provides an overview of the government's expenditure plan which sets out spending limits or ceilings within which it intends to develop and implement policies and programs.

The overall fiscal framework is initially set out by the Minister of Finance in a Budget or Economic Statement. Spending ceilings or resource envelopes consistent with the framework are established for each of the government's policy sectors.

Part I, which places the Main Estimates in the context of the overall expenditure plan for each envelope and at a government-wide level, provides a basis for accounting to Parliament for the level of total planned spending.

The Estimates Documents



Key Features of Part I

The Government Expenditure Plan

Chapter 1 Introduction	
Chapter 2 The Expenditure Plan	• Spending levels by policy sector (envelope). • Historical analysis of expenditures, in total and by envelope.
Chapter 3 The Expenditure Plan by Envelope	• Purpose of expenditures in each policy sector. • Highlights of annual spending plans in each envelope.
Chapter 4 The Main Estimates in Summary	• Analysis of approved spending authorities in the context of planned spending. • Spending on goods and services, transfer payments, and loans, investments and advances. • Major spending programs. • Person-year requirements.
Chapter 5 Supplementary Analysis	• Selected topics of current interest.

Part II

The Main Estimates

Parliament is asked to pass an Appropriation Act which forms the legal basis for the expenditure of funds and which specifies the amounts that may be spent through various votes. Part II, commonly referred to as the *'Blue Book'*, supports the spending proposals of the government. It also contains estimated expenditures to be made under the authority of various statutes previously passed by Parliament, although these do not form part of the Appropriation Act.

There are several important points regarding votes:

- The government cannot legally spend more money than is authorized by Parliament. The amounts appropriated represent a ceiling on spending which cannot be exceeded unless authority is granted by Parliament through Supplementary Estimates.
- Each vote relates to a program in the Estimates. A department or agency may have several programs and corresponding votes. In some cases, more than one vote may be established for the same program to cover specific expenditures such as transfer payments or capital expenditures.
- Certain votes authorize such things as the spending of revenues, work on other than federal property and recoverable expenses.

Key Features of Part II

Main Estimates

Section 1	
Preface	• Explanatory notes.
Summary Tables	• Major items by department. • Standard Objects of Expenditure. (personnel, rentals, transfer payments, etc.). • Person-years.
Proposed Schedule to the Appropriation Bill	• Provides proposed vote numbers, vote wording and Main Estimates amounts for each department and agency.
Sections 2 to 30 — Presentations by Ministry	• Program objectives and activities. • Spending by activity. • Spending by type of payment. (operating, capital, transfer).

The new Part II, which has been revised to make it compatible with Parts I and III, is introduced for the first time with the tabling of the 1985-86 Main Estimates.

Major changes from the previous format are listed below:

- A proposed Schedule to the Appropriation Act has been added which presents vote wording, the vote number, and Main Estimates amount.
- Much of the summary information has been relocated to Part I.
- Detailed information on person-years by occupational category, major capital projects, information in support of revolving funds, program expenditures by standard objects, and services provided without charge have been moved to Part III.
- Part II now presents the prior year's Main Estimates figures to permit year-over-year comparisons. The comparative information previously provided on forecast and actual expenditures for the two previous years now appears in Part III only.

Part III

The Departmental Expenditure Plans

Part III consists of a series of separate expenditure plans for individual departments and agencies. These plans provide an overview of each program operated by a department or agency, its costs and expected results as well as information on past program performance. This information, which is the responsibility of individual ministers, is intended to support informed debate of a program's spending plans. Where possible, results are quantified and related to the cost of a program. By describing specifically the plans and performance for each program, a department or agency provides a basis of accountability for meeting specific goals and improving performance. While all three Parts are available to Members of Parliament, Part III, because of the more detailed information it contains, will likely be of particular interest to members of Standing Committees that consider the spending plans of departments and agencies.

Plans present different types or levels of program results. At the highest (most general) level, results are expressed as the intended effects or benefits expected from a program. This helps in assessing a program's effectiveness i.e. the extent to which results contribute to the program's overall or broad objective.

At a more specific level, results can indicate efficiency. Results at this level focus on the outputs of a program and on the costs of producing them. They include workload data, trends in costs, and levels of service. This information provides a basis for assessing the level of annual spending proposed in the Estimates. With the tabling of the 1985-86 Estimates, expenditure plans exist for all departmental programs. The Part III's have a standard format and a modular structure with increasing levels of detail and extensive cross-referencing.

Key Features of Part III

The Departmental Expenditure Plans

Extracts from Part II of the Estimates and the Public Accounts	• Provides details of planned and actual use of appropriations and legal wording of vote items to avoid the need to refer to other documents.
Section 1 Program Overview	• Summarizes financial requirements and provides explanations of changes. • Provides background information necessary to understand the program. • Presents program objectives and information useful in assessing the extent to which they have been met. • Indicates what is new or different and related goals for the Estimates year or beyond. • Compares actual performance of a program with the plan previously presented to Parliament.
Section 2 Analysis by Activity	• Provides specific details on the results or outputs of a program at a level where they can be related to cost. • Provides performance information to gauge the success of an activity in achieving its goals.
Section 3 Supplementary Analyses	• Presents details of goods and services required, capital projects, grants and contributions and personnel requirements. • Provides other analyses as appropriate to the program.

Conclusion

The introduction of the new form of Estimates is now complete. The revised Estimates provide information on government spending at various levels of detail depending on the particular interests of the user. While the publications cannot answer all questions related to various spending programs, they do attempt to provide a basic understanding of programs, together with essential information on their spending plans and performance. The new information should assist Parliament in its important role of reviewing the spending programs of government, and holding the government to account for its performance.